



CENTRAL BANK OF ARMENIA

Financial Statements and Independent
Auditor's Report

**Central Bank of the Republic of
Armenia**

31 December 2010

Contents

	Page
Independent auditor's report	1
Statement of comprehensive income	3
Statement of financial position	4
Statement of financial position (continued)	5
Statement of changes in equity	6
Statement of cash flows	7
Statement of cash flows (continued)	8
Accompanying notes to the financial statements	9

Statement of comprehensive income

In thousand Armenian drams		Year ended December 31, 2010	Year ended December 31, 2009
	Note		
Interest income	4	9,534,614	8,862,492
Interest expense	5	(16,652,276)	(13,475,140)
Net interest expense		(7,117,662)	(4,612,648)
Fee and commission income		61,399	116,562
Fee and commission expense		(438,138)	(400,522)
Net fee and commission expense		(376,739)	(283,960)
Net foreign exchange gain/(loss)	6	(11,962,463)	36,575,523
Net realized gain/(loss) on available-for-sale assets		(21,168)	33
Net gain on financial instruments at fair value through profit or loss	7	2,943,175	5,652,878
Other income	8	1,901,653	709,679
Costs of production of banknotes, coins and numismatics	9	(226,802)	(1,236,314)
Other expenses	10	(13,061,942)	(6,823,054)
Profit/(loss) for the year		(27,921,948)	29,982,137
Other comprehensive income			
Net unrealized loss from changes in fair value		(600,218)	(1,250,645)
Net losses realized to comprehensive income statement on disposal of available-for-sale instruments		385,558	-
Total comprehensive income for the year		(28,136,608)	28,731,492

The statement of comprehensive income is to be read in conjunction with the accompanying notes which are integral part of the financial statements.

Statement of financial position

In thousand Armenian drams	Note	As of December 31, 2010	As of December 31, 2009
ASSETS			
Foreign currency assets			
Cash		7,552,047	7,776,292
Placements with banks and other financial institutions	11	158,102,101	221,678,070
Financial instruments at fair value through profit or loss	12	404,632,917	459,234,675
Available-for-sale assets	13	917	917
Held-to-maturity assets	13	95,678,521	25,171,087
Placements with the IMF	14	63,670,237	101,621,324
Other assets		874,492	666,956
		730,511,232	816,149,321
Domestic currency assets			
Loans and reverse repurchase agreements	15	70,615,499	70,735,139
Available-for-sale assets	13	88,705,765	121,204,193
Held-to-maturity assets	13	4,132,916	3,862,867
Property and equipment	16	26,312,189	15,762,787
Intangible assets	17	583,179	427,907
Other assets	18	3,752,261	2,451,325
		194,101,809	214,444,218
Total Assets		924,613,041	1,030,593,539
LIABILITIES AND EQUITY			
Foreign currency liabilities			
Deposits and balances from financial and other institutions	19	99,650,034	150,616,174
Due to the Government of the Republic of Armenia	22	3,989,112	1,329,188
Financial instruments at fair value through profit or loss		19,478	36,588
Due to IMF	14	82,284,509	95,263,527
Other borrowed funds	20	27,599,809	28,309,397
Other liabilities		146,096	206,504
		213,689,038	275,761,378
Domestic currency liabilities			
Notes and coins in circulation		348,164,734	320,669,631
Deposits and balances from financial and other institutions	19	80,825,771	53,204,221
Due to the Government of the Republic of Armenia	22	106,545,573	177,194,796
Due to IMF	14	195,802,721	172,556,583
Other liabilities	21	1,353,894	853,302
		732,692,693	724,478,533
Total Liabilities		946,381,731	1,000,239,911

Statement of financial position (continued)

In thousand Armenian drams		As of	As of
	Note	December 31, 2010	December 31, 2009
Equity			
Issued capital	23	100,000	100,000
General reserve	23	17,389,049	11,392,622
Additional paid in capital	13	85,663,194	85,663,194
Revaluation reserve for available-for-sale assets		(1,628,760)	(1,414,100)
Accumulated losses		(123,292,173)	(65,388,088)
Total equity		(21,768,690)	30,353,628
Total liabilities and capital		924,613,041	1,030,593,539

The financial statements from pages 3 to 43 were approved by the Board of the Central Bank of the Republic of Armenia on 1 April 2011 and were signed on its behalf by:

Arthur Javadyan

Haykanush Hakobyan

Chairman of the Central Bank of the Republic of Armenia

Chief Accountant of the Central Bank of the Republic of Armenia

The statement of financial position is to be read in conjunction with the accompanying notes which are integral part of the financial statements.

Statement of changes in equity

In thousand Armenian drams

	Issued capital	General reserve	Additional paid in capital	Revaluation reserve for available- for-sale assets	Accumulated loss	Total equity
Balance as of January 1, 2009	100,000	9,870,486	85,663,194	(163,455)	(87,814,615)	7,655,610
Distribution to general reserve	-	1,522,136	-	-	(1,522,136)	-
Distribution to the Government of the Republic of Armenia	-	-	-	-	(6,033,474)	(6,033,474)
		1,522,136	-	-	(7,555,610)	(6,033,474)
Profit for the year	-	-	-	-	29,982,137	29,982,137
Other comprehensive income:						
Net unrealized loss from changes in fair value	-	-	-	(1,250,645)	-	(1,250,645)
Total comprehensive income for the year	-	-	-	(1,250,645)	29,982,137	28,731,492
Balance as of December 31, 2009	100,000	11,392,622	85,663,194	(1,414,100)	(65,388,088)	30,353,628
Distribution to general reserve	-	5,996,427	-	-	(5,996,427)	-
Distribution to the Government of the Republic of Armenia	-	-	-	-	(23,985,710)	(23,985,710)
	-	5,996,427	-	-	(29,982,137)	(23,985,710)
Loss for the year	-	-	-	-	(27,921,948)	(27,921,948)
Other comprehensive income:						
Net unrealized loss from changes in fair value	-	-	-	(600,218)	-	(600,218)
Net losses realized to comp. income statement on disposal of available-for- sale instruments	-	-	-	385,558	-	385,558
Total comprehensive income for the year	-	-	-	(214,660)	(27,921,948)	(28,136,608)
Balance as of December 31, 2010	100,000	17,389,049	85,663,194	(1,628,760)	(123,292,173)	(21,768,690)

Statement of cash flows

In thousand Armenian drams

	Note	Year ended December 31, 2010	Year ended December 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) for the year		(27,921,948)	29,982,137
Depreciation and amortization		731,035	437,166
Loss from disposal of PPE		5,302	21,819
Interests receivable		577,853	257,752
Interests payable		657,448	(1,386,963)
Net (gains)/losses from revaluation of monetary assets and liabilities		12,099,588	(22,597,494)
Net loss from remeasurement of financial instruments at fair value		1,939,306	986,939
Other		(32)	4,662
Cash flows from operating activities before changes in operating assets and liabilities		(11,911,448)	7,706,018
(Increase)/decrease in operating assets			
Placements with banks and other financial institutions		882,671	(5,913,005)
Financial instruments at fair value through profit or loss		26,185,644	(105,152,819)
Placements with the IMF		23,797	(131,830)
Available-for-sale assets		8,298,058	(31,438,018)
Held-to-maturity assets		(67,685,078)	(30,139,431)
Loans and reverse repurchase agreements		(30,946)	9,990,494
Other assets		(1,421,373)	(710,326)
Increase/(decrease) in operating liabilities			
Notes and coins in circulation		27,495,103	(23,833,600)
Deposits and balances from financial and other institutions		(16,270,879)	68,023,915
Due to IMF		33,178,784	97,095,654
Due to the Government of the Republic of Armenia		(68,085,395)	74,023,577
Debt securities issued		-	(1,437,498)
Other liabilities		190,940	(5,526,135)
Net cash from/(used in) operating activities		(69,150,121)	52,556,996
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, equipment and intangible assets		(11,446,498)	(6,018,475)
Proceeds from sale of property and equipment		5,487	3,340
Net cash used in investing activities		(11,441,011)	(6,015,135)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans received/ (redeemed) from KFW		1,765,734	11,986,838
Loans received/ (redeemed) from IMF		(7,742,999)	45,291,623
Net cash from/(used in) financing activities		(5,977,265)	57,278,461

Statement of cash flows (continued)

Net increase/(decrease) in cash and cash equivalents		(86,568,397)	103,820,322
Cash and cash equivalents at the beginning of the year		236,032,987	63,679,345
Exchange differences on cash and cash equivalents		(9,967,062)	68,533,320
Cash and cash equivalents at the end of the year	26	139,497,528	236,032,987

Supplementary information

Interest received		8,956,761	8,604,741
Interest paid		(17,309,724)	(14,862,104)

Accompanying notes to the financial statements

1 Background

Principal activities

The Central Bank of the Republic of Armenia (the “Bank”) is a legal entity established by the act of the National Assembly of the Republic of Armenia.

The registered address of the Bank is 6 Vazgen Sargsyan Street, Yerevan 0010, Republic of Armenia. The average number of employees of the Bank during 2010 was 728 (2009: 681).

The primary objective of the Bank is price stability in the Republic of Armenia. It is achieved through formulation and implementation of monetary policy. In addition to its primary objective, the Bank is also responsible for:

- ensuring the stability, liquidity, solvency and other necessary conditions for sound operation of the financial banking system in the Republic of Armenia; and,
- creation and development of an effective payment and settlement system.

The Bank also:

- issues the national currency of the Republic of Armenia and regulates its circulation;
- organizes and regulates anti money laundering and terrorism financing activities;
- is the fiscal agent and financial consultant of the Government of Republic of Armenia ;
- licenses commercial banks and, if so provided by law, other entities, supervises and regulates their activities;
- is the lender of last resort to commercial banks; and,
- possesses, uses and administers international reserves of the Republic of Armenia.

The Bank’s subsidiaries are as follows:

Name	Country of incorporation	Principal activity	Controlled %		Date of establishment
			2010	2009	
“Armenian Card” CJSC	Republic of Armenia	Payment and settlement services	66	66	March 2000
“ArmCollection” CJSC	Republic of Armenia	Transportation/delivery of cash	100	100	April 1998
All-Armenian bank	Republic of Armenia	Banking activity	100	100	December 2009
“National mortgage company” UCO CJSC	Republic of Armenia	Mortgage activity	100	100	June 2009
“Home for youth” UCO CJSC	Republic of Armenia	Lending activity	100	-	February 2010
“Small and medium business credit support” CJSC	Republic of Armenia	Lending support	100	-	December 2010

The Bank has also made investments in “Deposit guarantee fund”, which was founded by the RA CB decision made on February 4, 2005.

The fund is a non profit legal entity with the purpose of ensuring the stability and reliability of the Banking system of the Republic of Armenia through the guarantee of remuneration of deposits of physical entities and individuals.

Bank’s action to ensure financial stability

The Bank has an important role in making the effects of the world financial crisis more manageable for the Armenian economy by having a fundamental task and responsibility of maintaining and promoting the stability of the financial system in Armenia. In order to achieve this, the Bank strives to prevent undesirable impacts of the crisis using all the financial instruments at its disposal.

Taking into account the high capitalization and liquidity levels in the Armenian banking system, on 3 March 2009 the Bank has decided to limit its interventions in the foreign exchange market and to return to floating exchange rate policy. This approach will allow the exchange rates to be formed in line with the current macroeconomic indices, which will considerably improve the external competitiveness of Armenia.

2 Basis of preparation

2.1 Statement of compliance

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as developed and published by the International Accounting Standards Board (IASB), and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

2.2 Basis of measurement

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

2.3 Functional and presentation currency

The national currency of the Republic of Armenia is the Armenian Dram (“AMD”), which is the Bank’s functional currency and the currency in which these financial statements are presented. All financial information presented in AMD has been rounded to the nearest thousand.

2.4 Use of estimates and judgments

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

The most significant areas of judgments and estimates are presented below:

Consolidation of subsidiaries

The Bank has not consolidated financial statements of subsidiaries due to immateriality of this consolidation on the Bank's financial statements, in accordance with the reviewed policy approved by the Bank.

Investments in subsidiaries are material to the Bank, if any of the following circumstances apply:

- a) the Bank's share in net assets of the subsidiary exceeds 1% of total assets of the Bank,
- b) the Bank's total share in net assets of all subsidiaries exceeds 5% of total assets of the Bank,
- c) in the period under review the Bank's share in income and expense of the subsidiary exceeds, respectively, 3% of income and expense of the Bank,
- d) in the period under review the Bank's total share in income and expense of all subsidiaries exceeds, respectively, 5% of total income and expense of the Bank, and
- e) other circumstances as determined by the Board of the Bank.

Classification of investment securities

Upon initial recognition, the Bank designates securities as financial assets at fair value through profit or loss, held-to-maturity financial assets or available-for-sale financials assets recognition of changes in fair value through equity.

2.5 Reclassifications

Where needed, comparative figures have been adjusted to provide comparison with the changes of current year.

2.6 Changes in accounting policies

In the current year the Bank has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its operations and effective for annual reporting periods beginning on January 1, 2010. The standards and interpretations which have had effect on the financial statements are presented below:

IFRS 5 (Amendment) Non-current Assets Held for Sale and Discontinued Operations

Clarifies that IFRS 5 and other IFRSs that specifically refer to non-current assets (or disposal groups) classified as held for sale or discontinued operations set out all the disclosures required in respect of those assets or operations. IFRS 5 (Amendment) is applied for annual periods beginning on or after 1 January 2010.

IAS 1 (Amendment) Presentation of Financial Statements

Amendment to clarify the classification of a liability that can, at the option of the counterparty, be settled by the issue of the entity's equity instruments. IAS 1 (Amendment) is applied for annual periods beginning on or after 1 January 2010.

IAS 7 (Amendment) Statement of Cash Flows

Amends IAS 7 to state explicitly that only an expenditure that results in a recognized asset can be classified as a cash flow from investing activities. IAS 7 (Amendment) is applied retrospectively for annual periods beginning on or after 1 January 2010.

IAS 36 (Amendment) Impairment of Assets

Clarifies that the largest unit permitted by IAS 36 for the purpose of allocating goodwill to cash-generating units is the operating segment level defined in IFRS 8 before aggregation as permitted in that Standard. IAS 36 (Amendment) is applied for annual periods beginning on or after 1 January 2010.

IAS 39 (Amendment) Financial Instruments: Recognition and Measurement

- Aims to clarify whether embedded prepayment options, in which the exercise price represented a penalty for early repayment of the loan, are considered closely related to the host debt contract.
- Aims to clarify that the scope exemption in IAS 39.2(g) applies only to binding (forward) contracts between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date.
- Clarifies when gains and losses on hedging instruments should be reclassified from equity to profit and loss account as a reclassification adjustment.

IAS 39 (Amendment) is applied prospectively for annual periods beginning on or after 1 January 2010.

2.7 Standards and comments not yet applied by the Bank

At the date of authorization of these financial statements, certain new Standards, amendments and interpretations to the existing Standards have been published but are not yet effective. The Bank has not early adopted any of these pronouncements.

Management anticipates that all of the pronouncements will be adopted in the Bank's accounting policy for the first period beginning after the effect date of the pronouncement. At the moment in management's estimation possible effect of most of the amendments on the Bank's financial statements can not be material.

*IAS 32 (Amendment) Financial instruments: Presentation-Classification of Right Issues**IFRIC 19 Extinguishing financial liabilities with equity instruments**IFRS 7 (Amendment) Transfer of Financial Assets**IAS 24 (revised), 'Related party disclosures'**IFRS 9 Financial Instruments***2.8 Annual Improvements 2010 (effective from 1 July 2010 and later)**

The IASB has issued *Improvements to IFRS 2010* (2010 Improvements). Most of these amendments become effective in annual periods beginning on or after 1 July 2010 or 1 January 2011. The 2010 Improvements amend certain provisions of IFRS 1, IFRS 3R, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13. The Bank's preliminary assessments indicate that the 2010 Improvements will not have a material impact on the Bank's financial statements, except for disclosure requirements for financial instruments, which eliminated the requirements to disclose:

- the carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated,
- maximum exposure to credit risk for financial instruments whose carrying amount best represents the maximum exposure to credit risk,
- description and estimate of fair value of collateral held for past due or impaired financial assets.

3 Significant accounting policies

The presented accounting policies have been applied in preparing financial statements. Accounting policies have been applied consistently, other than consolidation of subsidiaries.

3.1 Foreign currency translation and presentation of foreign currency items

Transactions in foreign currencies are translated to the appropriate functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities that are stated at fair value and whose appraised value is denominated in foreign currencies are translated to the functional currency at the foreign exchange rate ruling at the dates the fair values were determined. Foreign exchange differences arising on translation are recognised in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the revaluation reserve in equity.

The exchange rates at the balance sheet date used by the Bank in the preparation of the consolidated financial statements are as follows:

	December 31, 2010	December 31, 2009
AMD/1 US Dollar	363.44	377.89
AMD/1 Euro	481.16	542.23
AMD/1 SDR	559.71	592.41

3.2 Cash and cash equivalents

The Bank considers cash, nostro accounts with banks and SDR holdings in IMF to be cash and cash equivalents.

3.3 Financial instruments

Classification

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

- acquired or incurred principally for the purpose of selling or repurchasing in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- a derivatives (except for a derivative that is a designated and effective hedging instrument); or,
- upon initial recognition, designated by the entity as at fair value through the profit or loss. Financial instruments are designated at fair value through profit or loss if the Bank manages such investments and makes purchase and sale decisions based on their fair value.

Financial assets and financial liabilities are designated at fair value through profit or loss when:

- Doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost, such as loans and advances to customers or banks and debt securities in issue;
- Certain investments that are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis are designated at fair value through profit and loss; and
- Financial instruments, such as debt securities held, containing one or more embedded derivatives significantly modify the cash flows, are designated at fair value through profit and loss.

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Bank intends to sell immediately or in the near term, those that the Bank upon initial recognition designates as at fair value through profit or loss, or those which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

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

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

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

Recognition

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

The changes in fair values between the trade and settlement dates are immaterial.

Measurement

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

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

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

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost. Amortised cost is calculated using the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

3.4 Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

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

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

3.5 Gains and losses on subsequent measurement

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

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in the income statement;
- a gain or loss on an available-for-sale financial asset is recognised directly in equity through the statement of changes in shareholders' equity (except for impairment losses and foreign exchange gains and losses) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement. Interest in relation to an available-for-sale financial asset is recognised as earned in the income statement calculated using the effective interest rate method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in the income statement when the financial asset or liability is derecognised or impaired, and through the amortization process.

3.6 Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the Bank transfers substantially all the risks and rewards of ownership of the financial asset. Any rights or

obligations created or retained in the transfer are recognised separately as assets or liabilities. A financial liability is derecognised when it is extinguished.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of income.

3.7 Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

3.8 Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase (“repo”) agreements are accounted for as secured financial transactions, with the securities retained in the balance sheet, and, if the transferee has the right by contract or custom to sell or repledge them, they are reclassified as securities pledged under sale and repurchase agreements and faced as the separate balance sheet item. The counterparty liability is included in amounts due to other banks or to financial institutions, as appropriate. The differences between the sale and repurchase price are treated as interest expense and recognised in the income statement over the terms of the repo agreement, using the effective interest rate method.

Securities purchased under agreements to resell (“reverse repo”) are recorded as due from banks or financial institutions as appropriate. The differences between the sale and repurchase prices are treated as interest and accrued over the life of the reverse repo agreement using the effective interest method.

3.9 Securities lending and borrowing

Securities lending and borrowing transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected in the balance sheet if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognized in the balance sheet, unless they are sold to third parties, in which case the obligation to return the securities is recorded as a trading liability and measured at fair value with any gains or losses included in “Net trading income”.

3.10 Notes and coins in circulation

Notes and coins in circulation issued by the Bank are presented in the balance sheet as a liability at nominal value. Printing and production costs of notes and coins are expensed in the year when they incur.

3.11 Numismatic coins

Numismatic coins are measured at the lower of cost and net realisable value. The cost of coins is based on the first-in first-out principle, and includes expenses incurred in acquiring the numismatic coins and bringing them to their existing location. Net realisable value is the estimated selling price less the selling expenses. Upon sale the difference between estimated net proceeds and the carrying value is recognised as a gain or loss in the current year income statement.

3.12 Own assets

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

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

Repairs and maintenance are charged to the income statement during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Bank. Major renovations are depreciated over the remaining useful life of the related asset.

Any gain and loss resulting from the sale of an item of property and equipment, which is the difference between the proceeds from sales and the carrying amount of that asset, is taken to income statement in the period when it is incurred.

Depreciation

Depreciation is charged to the comprehensive income statement on a straight-line basis over the estimated useful life of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful life are as follows:

	2010	2009
Buildings	30- 50 years	30-50 years
Networks, computer and other equipment	5- 15 years	5-8 years
Vehicles	5 years	5 years
Others	2-15 years	2-10 years

3.13 Intangible assets

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

The Bank has revised the estimated useful life of intangible assets in 2009. According to the Bank's estimations, the useful life of software used by the Bank is for an indefinite term. Intangible assets with their indefinite term of useful life shall not be amortized but shall be assessed each year for depreciation, individually or separately for the money creating unit. Intangible assets with their indefinite term of useful life shall be monitored each year to make sure these remain to be accounted within the category defined.

Costs associated with maintaining computer software programmes are recorded as an expense as incurred.

3.14 Impairment

Financial assets carried at amortized cost

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

Criteria used to determine that there is objective evidence of an impairment loss may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, breach of loan covenants or conditions.

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

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

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

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

Financial assets carried at cost

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

All impairment losses in respect of these investments are recognised in the income statement and can not be reversed.

Non financial assets

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

All impairment losses in respect of non financial assets are recognised in the comprehensive income statement and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the

carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

3.15 Pensions

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

3.16 Provisions

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

3.17 Taxation

The Bank is not subject to any taxes, with the exception of taxes, duties or customs fees collected at the border of the Republic of Armenia for imported goods. At the same time, the Bank acts as a tax agent according to the procedure defined under the Law of the Republic of Armenia.

3.18 Interest income and expense

Interest income and expense are recognised in the comprehensive income statement as they accrue, taking into account the effective interest rate of the asset/liability or an applicable floating rate. Interest income and expense include the amortization of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Interest income on financial instruments at fair value through comprehensive income statement is included in net gain on financial instruments at fair value through profit or loss.

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

3.19 Fee and commission income

Other fee and commission income is recognised when the corresponding service is provided.

4 Interest income

In thousand Armenian drams	2010	2009
Interest income from foreign currency assets		
Term deposits	1,834,407	2,342,707
Held to maturity assets	138,829	5,346
Nostro accounts	37,312	101,606
Overnight	211,531	171,419
Placements with the IMF	60,756	47,485
Other	-	191
	2,282,835	2,668,754
Interest income from domestic currency assets		
Loans and reverse repurchase agreements	4,632,789	4,147,550
Available-for-sale assets	2,305,423	2,011,754
Held to maturity assets	270,049	12,867
Other	43,518	21,567
	7,251,779	6,193,738
	9,534,614	8,862,492

5 Interest expense

In thousand Armenian drams	2010	2009
Interest expense on foreign currency liabilities		
Loans from the IMF	2,571,362	1,932,096
Other borrowings	204,348	187,820
Other liabilities	17,320	40,450
	2,793,030	2,160,366
Interest income from domestic currency assets		
Debt securities issued	-	4,502
Due to the Government of the Republic of Armenia	13,487,074	11,085,891
Deposits and balances from financial and other institutions	313,078	174,045
Other	59,094	50,336
	13,859,246	11,314,774
	16,652,276	13,475,140

6 Net foreign exchange gain/(loss)

In thousand Armenian drams	2010	2009
Net gain/(loss) from revaluation of monetary assets and monetary liabilities	(12,099,588)	22,597,494
Net gain on spot transactions	137,125	13,978,029
	(11,962,463)	36,575,523

Included in the net loss from revaluation of monetary assets and liabilities is a foreign exchange revaluation loss of AMD 24,501,164 thousand on financial instruments at fair value through profit or loss (2009: AMD 16,312,104, thousand net gain).

On March 3, 2009, the Bank decided to limit intervention in to the foreign exchange market and return to the floating exchange rate policy. This move [when the Armenian dram depreciated vis-à-vis the US dollar by 27.1 percent within a day] affected the Bank's financial position positively for 2009, since the Bank's international reserves are held in foreign currency. After having moved to the floating exchange rate policy, the Bank's net daily gain from revaluation of dram-denominated assets and liabilities amounted to AMD 44,393,817 thousand. In 2010 the Armenian dram revaluated against the US dollar by 4%.

7 Net gain on financial instruments at fair value through profit or loss

In thousand Armenian drams	2010	2009
Net gain on assets under trust management (excluding foreign exchange revaluation*)	236,469	912,737
Net gain on foreign securities under own management (excluding foreign exchange revaluation*)	6,599,921	6,865,918
Net gain on money market instruments under own management	11,126	16,621
Net loss on futures under own management (excluding foreign exchange revaluation*)	(3,772,380)	(2,007,673)
Trust management fees (excluding foreign exchange revaluation*)	(131,961)	(134,725)
	2,943,175	5,652,878

* The foreign exchange revaluation of assets is included in "Net foreign exchange gain (loss)". See Note 6

8 Other income

In thousand Armenian drams	2010	2009
Income from sales of numismatic coins	409,278	439,736
Other income	1,492,375	269,943
	1,901,653	709,679

9 Costs of production of banknotes, coins and numismatics

In thousand Armenian drams	2010	2009
Costs of production of banknotes and coins	1,366	989,302
Costs of production of numismatics	225,436	247,012
	226,802	1,236,314

10 Other expenses

In thousand Armenian drams	2010	2009
Employee compensation, staff training and related payments	4,139,441	4,013,165
Investments in funds	5,500,000	-
Security and maintenance of reserves	729,718	736,885
Depreciation and amortization	731,035	437,166
Repairs and maintenance	569,417	361,319
Professional services	240,330	181,164
Other	1,152,001	1,093,355
	13,061,942	6,823,054

11 Placements with banks and other financial institutions

In thousand Armenian drams	2010	2009
Placements with banks and other financial institutions in foreign currency		
Term deposits	37,385,870	34,009,997
Nostro accounts	119,776,198	181,157,023
Accrued interest on deposits and nostro accounts	36,169	57,280
Cash included in assets under trust management	89,668	259,484
Receivables	814,196	6,194,286
	158,102,101	221,678,070

Concentration of placements with banks and other financial institutions

As at 31 December 2010 and 2009 the Bank had placements in 3 banks, whose individual balances exceeded 10% of total placements. The gross value of these balances as of 31 December 2010 and 2009 amounted to AMD 135,063,346 thousand and AMD 211,234,506 thousand, respectively.

During 2009 the Bank has placed short-term FX deposits with, and received the ones from, Armenian commercial banks (these amounts have been included in Item 'Receivables'). As of December 31, 2009, the Bank has placed deposit of USD 10 000 thousand and the dram-denominated deposit from the mentioned commercial bank has been included in Note 19.

12 Financial instruments at fair value through profit or loss recognized in the statement of comprehensive income

In thousand Armenian drams	2010	2009
Assets		
Debt and other fixed-income instruments-Quoted		
Foreign government securities under own management	358,460,805	415,401,592
Securities under trust management	42,465,054	43,758,444
Money market instruments under own management	3,645,519	-
	404,571,378	459,160,036
Derivative financial instruments-Quoted		
Foreign exchange futures contracts under own management	61,539	74,639
	404,632,917	459,234,675

Debt and other fixed-income instruments were, upon initial recognition, designated by the Bank as financial assets at fair value through profit or loss.

As at 31 December 2010 foreign securities at fair value under own management include:

In thousand Armenian drams	2010	2009
Government securities	249,225,131	225,002,788
Securities directly/indirectly backed by the State	40,569,775	148,010,416
Other securities	68,665,899	42,388,388
Total	358,460,805	415,401,592

Securities under trust management include:

In thousand Armenian drams	2010	2009
Securities of foreign governments	32,032,674	26,607,627
Securities of foreign financial institution	10,432,380	17,150,817
Total	42,465,054	43,758,444

Securities and derivative financial instruments under trust management represent financial instruments under discretionary asset management at foreign financial institutions. Risk exposure limits and investment guidance are set by the Bank.

Derivative financial instruments

In thousand Armenian drams	2010	2009	2010	2009
	Nominal value		Asset	Liability
Foreign exchange futures contracts under trust management	12,263,252	14,806,747	-	19,478
Foreign exchange futures contracts under own management	467,176,740	1,136,105,882	61,539	-
Total	479,439,992	1,150,912,629	61,539	19,478

13 Investment securities

In thousand Armenian drams	2010	2009
Available-for-sale investments in foreign currency		
Equity investments at cost – Unquoted		
SWIFT	917	917
	<u>917</u>	<u>917</u>
Available-for-sale investments in domestic currency		
Debt and other fixed-income instruments		
Treasury securities of the Government of the Republic of Armenia	12,124,141	25,936,859
Promissory note of the Government of the Republic of Armenia	55,644,010	79,629,720
	<u>67,768,151</u>	<u>105,566,579</u>
In thousand Armenian drams		
Equity investments at cost – Unquoted		
Investments in unconsolidated subsidiaries	20,894,923	15,594,923
Other equity investments	42,691	42,691
	<u>20,937,614</u>	<u>15,637,614</u>
Total available-for-sale investments in domestic currency	<u>88,705,765</u>	<u>121,204,193</u>
Total available-for-sale investments	<u>88,706,682</u>	<u>121,205,110</u>
Held-to-maturity investments in foreign currency		
Foreign securities under own management	95,678,521	25,171,087
	<u>95,678,521</u>	<u>25,171,087</u>
Held-to-maturity investments in domestic currency		
Discount bond	4,132,916	3,862,867
	<u>4,132,916</u>	<u>3,862,867</u>
Total held-to-maturity investments	<u>99,811,437</u>	<u>29,033,954</u>

In 2008 a non-interest demand bond at par value of AMD 85,663,194 thousand was issued by the Government of the Republic of Armenia as a gratis investment in the Bank. The bond was issued according to the Republic of Armenia law on the Central Bank to cover the negative equity reserves of the Bank. According to the same law AMD 23,985,710 thousand was directed to the redemption of the bond from the profit of 2009 (from profit of 2008: AMD 6,033,474 thousand).

The management believes that the carrying amount of the bond approximates its fair value.

Available-for-sale investment securities of the Government of the Republic of Armenia are recorded at fair value using a valuation technique, which uses current market rates to discount future cash flows of the financial instruments.

Available-for-sale equity instruments in local currency are stated at cost, since there is no market for these investments and there have not been any recent transactions that provide evidence of the current fair value. In addition, discounted cash flow techniques yield a wide range of fair values due to uncertainty regarding future cash flows.

14 International Monetary Fund

Assets related to IMF

In thousand Armenian drams

	2010	2009
Placements with the IMF in foreign currency		
SDR holdings in the IMF	12,169,283	47,099,672
Quota in IMF (subscription)	51,493,341	54,502,140
Accrued interest	7,613	19,512
	63,670,237	101,621,324

The Bank maintains an SDR-denominated current account with the IMF used for processing and settling transactions with the IMF. This current account bears interest based on the SDR interest rate, obtained weekly, as a weighted average of selected rates of three-month instruments on the money market of the four currencies which constitute the SDR basket. In 2010, the interest rate ranged from 0.22% to 0.32% (2009: 0.82% to 0.25%).

According to the IMF Statute, the Bank acts as a fiscal agent of the Republic of Armenia and simultaneously behaves as a depositary of the IMF in the Republic of Armenia. As such, the Bank keeps records of the quota of the Republic of Armenia for membership with the IMF and the promissory note related to the membership of the Republic of Armenia in the IMF. The positions are as follows:

The quota of the Republic of Armenia for membership with the IMF amounts to SDR 92,000,000 as of 31 December 2010 (2009: SDR 92,000,000).

Liabilities to IMF in domestic currency

In thousand Armenian drams

	2010	2009
Securities account	140,663,079	140,663,079
Adjustment account for AMD liabilities to the IMF	(6,677,555)	8,523,264
Account 1	61,814,443	23,367,610
Account 2	2,754	2,630
	195,802,721	172,556,583

The IMF's Account 1 is used to carry out operations with the IMF, including the payment of membership fee, purchase and repurchase of assets, carrying of Stand-by loan, repayment of loans, as well as the sale of national currency of the Republic of Armenia.

The IMF's Account 2 is used to reflect the IMF's administrative expenditures and entries in national currency of the Republic of Armenia and within the territory of the Republic of Armenia.

As of 31 December 2010, loans of AMD 140,6 billion (31 December 2009: 140,6 billion) disbursed from the IMF are backed by the Government of the Republic of Armenia through an issuance of securities for these loans.

Liabilities to IMF in SDR

In thousand Armenian drams	2010	2009
Credit	32,565,060	42,837,498
SDR allocation	49,248,152	52,125,764
Interest accrued	471,297	300,265
	82,284,509	95,263,527

The Poverty Reduction and Growth Facility was disbursed in SDR from the IMF to the Republic of Armenia for a period of 15 years, with 0% interest rate per annum (2009: 0.5%).

The disbursement of SDR to SDR Member States by the IMF without any conditions is the disbursement of SDR in proportion to the States' quotas. The disbursed SDR can be used to carry out transactions at rather a broad spectrum, including the purchase of currency of other Members, regulation of financial liabilities, donations, loan origination, and etc. As of 31 December 2010 the interest rate was 0.32% (0.23% in 2009).

In the reported periods the Bank had no violation of non-payment of principal and interest, or any other violations whatsoever.

As of 31 December 2010 and 2009, the carrying amounts of claims and liabilities to the IMF approximated their fair values.

15 Loans and reverse repurchase agreements

In thousand Armenian drams	2010	2009
Loans to resident banks under arrangement with the KFW and World banks	29,643,307	25,619,315
Loans on subordinated terms	24,536,382	13,467,606
Other loans to resident banks	7,325,216	-
Amounts receivable under reverse repurchase agreements	8,022,812	30,782,396
Other loans	1,087,782	865,822
	70,615,499	70,735,139

Loans to resident banks under the agreement with the KFW and World bank are provided to 14 domestic banks and 2 financial institutions and bear interest at rates from 5.5% to 8% p.a.

In consideration of Armenia's banking sector reliability and long-term stability, the Bank has provided loans on subordinated terms to 8 banks for 7.5 percent interest rate p.a. and 5 years of maturity, aimed to build sufficient capacity in the system to absorb potential crisis-derived risks.

A loan for a 3-year period of maturity has been made for bank mergers in the banking sector.

The Bank accepted securities on reverse repurchase agreements as collateral for commercial loans, which are permitted to sell or repledge. As of 31 December 2010 amounts receivable under reverse repurchase agreements are with 5 resident banks (2009: 14 banks) and are collateralised by the following securities.

In thousand Armenian drams	2010 Fair value	2009 Fair value
Treasury bonds of The Government of the Republic of Armenia	8,131,931	30,495,653
	8,131,931	30,495,653

16 Property and equipment

In thousand Armenian drams	Land and buildings	Networks, computer and other equipment	Vehicles	Other	Total
Cost					
Balance at 1 January 2009	10,499,985	3,694,409	302,675	1,881,628	16,378,697
Additions	3,996,009	1,440,939	51,589	357,854	5,846,391
Disposals	(19,586)	(115,881)	(41,018)	(228,687)	(405,172)
Balance at 31 December 2009	14,476,408	5,019,467	313,246	2,010,795	21,819,916
Additions	9,782,376	968,262	10,268	530,320	11,291,226
Disposals	-	(499,688)	-	(69,904)	(569,592)
Reclassification	(489,133)	32,935	(6,453)	462,651	-
Balance at 31 December 2010	23,769,651	5,520,976	317,061	2,933,862	32,541,550
Depreciation					
Balance at 1 January 2009	1,724,054	2,659,909	172,173	1,443,845	5,999,981
Addition	47,926	234,390	39,516	115,334	437,166
Disposals	-	(114,020)	(38,967)	(227,031)	(380,018)
Balance at 31 December 2009	1,771,980	2,780,279	172,722	1,332,148	6,057,129
Addition	116,632	382,426	40,413	191,564	731,035
Disposals	-	(492,938)	-	(65,865)	(558,803)
Reclassification	-	-	(6,130)	6,130	-
Balance at 31 December 2010	1,888,612	2,669,767	207,005	1,463,977	6,229,361
Carrying amount					
At 31 December 2008	8,775,931	1,034,500	130,502	437,783	10,378,716
At 31 December 2009	12,704,428	2,239,188	140,524	678,647	15,762,787
At 31 December 2010	21,881,039	2,851,209	110,056	1,469,885	26,312,189

17 Intangible assets

In thousand Armenian drams

Computer software

Cost

Balance at 1 January 2009	462,200
Additions	172,085
Disposals	(1,063)
Balance at 31 December 2009	633,222
Additions	155,272
Disposals	-
Balance at 31 December 2010	788,494

Amortization

Balance at at 1 January 2009	206,373
Additions	-
Disposals	(1,058)
Balance at 31 December 2009	205,315
Additions	-
Disposals	-
Balance at 31 December 2010	205,315

Carrying amount

At 31 December 2008	255,827
At 31 December 2009	427,907
At 31 December 2010	583,179

Intangible assets have been valued individually for depreciation, and no features of depreciation have been identified.

18 Other assets

In thousand Armenian drams

2010

2009

Numismatic coins	739,624	735,712
Receivables	2,836,231	1,538,413
Other	176,406	177,200
	3,752,261	2,451,325

19 Deposits and balances from financial and other institutions

In thousand Armenian drams	2010	2009
Foreign currency liabilities		
Vostro accounts and deposits of domestic banks	88,236,533	148,673,237
Current accounts of other legal entities	9,729,221	39,699
Term deposit of Deposit Insurance fund	1,684,280	1,903,238
	99,650,034	150,616,174
Domestic currency liabilities		
Vostro accounts and deposits of domestic banks	77,124,832	47,978,778
Term deposit and current accounts of Deposit Insurance fund	254,710	7,996
Current accounts of other legal entities	3,446,229	1,460,677
Other liabilities	-	3,756,770
	80,825,771	53,204,221

Concentration of deposits and balances from banks

As of 31 December 2010, no bank had been identified to have balances exceeding 10% of total amount allocated with the Bank by commercial banks. As of 31 December 2009, only one bank had a balance individually exceeding 10% of that amount, which amounted to AMD 27,452,156 thousand.

During 2009 the Bank has placed short-term deposits in different currency with, and received the ones from, Armenian commercial banks (these amounts have been included in Item 'Other liabilities'). As of December 31, 2009, the Bank has received deposit of AMD 3,751,400 thousand and the US dollar-denominated deposit placed with that commercial bank has been included in Note 11.

20 Other borrowed funds

In thousand Armenian drams	2010	2009
Loans from KFW and World bank	27,560,279	28,266,861
Accrued interest	39,530	42,536
	27,599,809	28,309,397

The loans are provided under an intergovernmental agreement on financial cooperation between the Government of the Republic of Armenia and the Federal Republic of Germany to finance special loan programs placed through domestic commercial banks (Note 15). The loans mature from 2010 through 2048, and bear interest of 0.75% p.a. for the used part of the loan, and 0.25% for the unused part of the loan. The repayment of loans to KFW is guaranteed by the Government of the Republic of Armenia.

The loans are provided by World Bank for financing small and medium enterprises through domestic commercial banks (Note 15). The loans mature from 2010 through 2035, and bear interest of 0.81%.

As of the reporting periods the Bank has not had any defaults of principal, interest or other breaches with respect to its liabilities during the period (2009: either).

21 Other liabilities

In thousand Armenian drams	2010	2009
Demand deposits of employees	531,068	428,266
Other	822,826	425,036
	1,353,894	853,302

22 Due to the Government of the Republic of Armenia

In thousand Armenian drams	2010	2009
Foreign currency liabilities		
Balances of the Government of the Republic of Armenia	1,187,537	1,225,249
Payables	2,801,575	103,939
	3,989,112	1,329,188
Domestic currency liabilities		
Balances of the Government of the Republic of Armenia	27,315,188	46,143,142
Deposits	79,230,385	131,051,654
	106,545,573	177,194,796

As the financial agent to the RA Government, the Central Bank of Armenia is entitled to attract free funds from the RA Government, based on the principles of cooperation adopted in the framework of the Agreement signed between the Ministry of Finance and Economy of the RA and the Central Bank of Armenia on 13/10/2006. In consideration of the significance of the influence that these Parties have on the market in terms of their transactions, the Ministry of Finance shall allocate the Government's funds by adhering to the market rules, and the CBA shall provide services that are adequate by their market price and quality. The actions of the Parties cannot be charged by the private sector and result in ineffective performance of market mechanisms.

23 Equity

Issued capital

The issued capital of the Bank is owned by the Republic of Armenia and cannot be pledged, sold or otherwise disposed.

Additional paid in capital

Additional paid in capital represents a contribution made by the Government of the Republic of Armenia in the form of a promissory note (Note 13).

General reserve

The general reserve is formed according to law on the Central Bank of the Republic of Armenia and cannot be distributed.

24 Commitments

Capital commitments

The capital commitments outstanding at 31 December 2010 related to the construction of the Bank's premises is AMD 14,541,725 thousand (2009: AMD 4,543,029 thousand).

Litigation

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

Guarantees

As at 31 December 2010 the Bank has given guarantees in the amount of AMD 658,000 thousand issued from 1994 to 1995 on behalf of construction companies and relates to earthquake zone construction. Guarantees represent irrevocable assurance that the bank will make payments in the event that a customer cannot meet its obligations to third parties and carry credit risk.

25 Related party transactions

Transactions with members the key management

Total remuneration is included in employee compensation (Note 10).

In thousand Armenian drams	2010	2009
Key management including the Bank's board members	209,580	196,427

The outstanding balances and average effective interest rates as of 31 December 2010 with members of the key management are as follows:

In thousand Armenian drams	2010	Average effective Interest Rate	2009	Average effective Interest Rate
Balance Sheet				
Assets				
Loans	65,640	3-5%	76,776	3-5%
Deposits	59,725	14%	42,858	13.5%
Receivables on business trip	-	-	2,956	0.00%
Salary payable	-	-	2,102	0.00%

Amounts included in the statement of comprehensive income in relation to transactions with the key management are as follows:

In thousand Armenian drams	2010	2009
Statement of comprehensive income		
Interest expense	6,142	2,042
Interest income	3,294	2,900

Transactions with subsidiaries

Amounts included in the statement of comprehensive income in relation to transactions with subsidiaries are as follows:

In thousand Armenian drams	2010	2009
Statement of comprehensive income		
Other expenses		
Money collection expenses	556,708	601,552

Transactions with the Government of the Republic of Armenia

The outstanding balances and average effective interest rates as of 31 December 2010 with government are as follows:

In thousand Armenian drams	2010	Average effective Interest Rate	2009	Average effective Interest Rate
Balance Sheet				
Assets				
The Government of Republic of Armenia treasury securities (Note 13)	12,124,141	11%	25,936,859	8.6%
The Government of Republic of Armenia promissory note issued to the Bank as additional paid in capital (Note 13)	55,644,010	0.00%	79,629,720	0.00%
Liabilities				
Due to the Government of the Republic of Armenia (local currency, Note 22)	106,545,573	10%	177,194,796	9%
Due to the Government of the Republic of Armenia (other currency/Note 22)	3,989,112	0.00%	1,329,188	0.00%

The flow of deposits included in liabilities to the Government of the Republic of Armenia, in domestic currency

In thousand Armenian drams	2010	2009
Balance at 1 January	131,051,654	-
Additions	688,363,583	471,312,429
Disposal	(740,184,852)	(340,260,775)
Balance at 31 December	79,230,385	131,051,654

Amounts included in the statement of comprehensive income in relation to transactions with government are as follows:

In thousand Armenian drams	2010	2009
Statement of comprehensive income		
Interest income from treasury securities of the Government of the Republic of Armenia	2,305,423	2,011,754
Net gain/(loss) on spot transactions	782,980	(499,005)
Interest paid on other amounts due to the Government of the Republic of Armenia	13,487,074	11,085,891

26 Cash and cash equivalents

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

In thousand Armenian drams	2010	2009
Cash	7,552,047	7,776,292
Nostro accounts (Note 11)	119,776,198	181,157,023
SDR holdings in IMF (Note 14)	12,169,283	47,099,672
	139,497,528	236,032,987

27 Fair value of financial instruments

The Bank estimates the fair value of financial assets and liabilities not to be materially different from their carrying values. The estimated fair values of its financial assets and liabilities, except for available-for-sale assets held in unquoted equity securities, is calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for a similar instruments at the balance sheet date.

As disclosed in Note 13 the fair value of unquoted equity securities with a carrying value of AMD 20,937,614 thousand (2009: AMD 15,637,614 thousand) could not be determined.

Held-to-maturity foreign securities under own management as of December 31, 2010, represent government securities of other countries, amounting to AMD 95,678,521 thousand (2009: 25,171,087 thousand); these are listed securities, and as of December 31, 2010, their fair value has amounted to AMD 95,671,630 thousand (2009: 25,171,160 thousand).

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

Fair value hierarchy

Financial assets and liabilities measured at fair value in the statement of financial standing are presented according to the fair value hierarchy. The hierarchy divides the financial assets and liabilities into three levels based on the materiality of instruments used when measuring their fair value. The fair value hierarchy has the following three levels:

Level 1: price determination on active markets for the same assets and liabilities (non-adjusted);

Level 2: baseline data, other than price determination specified in Level 1, which are considered for the asset and liability directly (i.e. as prices) and indirectly (i.e. available based on prices);

Level 3: baseline data on the asset or liability, which are not based on market data in consideration (non-considered baseline data).

In thousand Armenian drams				2010
	Level 1	Level 2	Level 3	Total
Financial assets				
Quoted securities and bonds	404,571,378	-	-	404,571,378
Unquoted securities and bonds	-	12,124,141	-	12,124,141
Derivative financial assets	61,539	-	-	61,539
Total	404,632,917	12,124,141	-	416,757,058
Financial liabilities				
Financial liabilities at fair value through profit or loss	19,478	-	-	19,478
Total	19,478	-	-	19,478
Net fair value	404,613,439	12,124,141	-	416,737,580

In thousand Armenian drams				2009
	Level 1	Level 2	Level 3	Total
Financial assets				
Quoted securities and bonds	459,160,036	-	-	459,160,036
Unquoted securities and bonds	-	25,936,860	-	25,936,860
Derivative financial assets	74,639	-	-	74,639
Total	459,234,675	25,936,860	-	485,171,535
Financial liabilities				
Financial liabilities at fair value through profit or loss	36,588	-	-	36,588
Total	36,588	-	-	36,588
Net fair value	459,198,087	25,936,860	-	485,134,947

28 Risk management

Institutional Framework

International reserves of the Republic of Armenia are Central Bank claims on non-residents in freely convertible foreign currencies. The reserves are reflected in the Balance Sheet of the Central Bank of Armenia (CBA). The CBA manages the reserves in accordance with the principles laid down in article 52 of the "Law of Republic of Armenia on the Central Bank of Armenia", by investing the reserves within the Investment framework set by the Board of the CBA.

The reserves can be used to finance external payments/trade imbalances, to regulate indirectly the impact of such imbalances on the exchange rate, and to ensure the international obligations of Armenia are duly performed. The CBA uses reserves to provide foreign exchange services to the Government and state agencies of Armenia, e.g. foreign currency conversions or external debt servicing.

Starting from 2007 the Central Bank of Armenia has established new reserve management framework in compliance with the best international practices. First of all, strategic and tactical decision-making were separated and segregation of responsibilities for the decision-making at the levels of the Board, Investment Committee and reserve management dealers (Foreign Markets Operations unit of Financial Department of the Bank) was adopted. In other words, the Bank adopted a three level decision-making system, whereby the

Bank's Board sets the Strategic Asset Allocation framework for the reserves management for a long-term time horizon (3 years), whereas the Investment Committee of the Bank was given executive power on short-term tactical benchmarks. Portfolio managers, in turn, have been delegated with competence to decide on current management issues within the framework of tactical benchmarks and active risk tolerance.

Administration and Control

According to the Bank's structure, Financial Department is responsible for Armenia's international reserves management. Foreign Markets Operations unit of Financial Department is in charge of operations related day-to-day management of reserves. International Risk Management unit is responsible for risks assessment, development of strategic asset allocation and benchmarking, compliance monitoring, performance evaluation and reporting.

Investment Committee as a rule meets once a month to discuss issues related to reserves management. The Committee includes heads of structural units involved in the entire process of reserves management, as well as the Bank's Chairman and Deputy Chairman. Formerly, the Committee was totally a consultative body but, after the introduction of the three level system for management, it has been granted executive power. Financial Department reports on the performance of reserves management to Investment Committee on a quarterly basis and to the Bank's Board on a semiannual basis. Each quarter the Bank presents information on condition and composition of international reserves to the Government and the National Assembly, and makes that information publicly available.

Reserve management process is under the control of the Bank's Audit Group, which reports directly to the Board. The reserves management function is audited once a year by an internationally recognized audit firm.

Asset Allocation and Risk Management

According to the principles set forth in article 52 of the Armenian Law on "The Central Bank", Armenia's international reserves are managed in compliance with the principle of profit maximization while ensuring proper liquidity and security of reserves. For this purpose, Financial Department develops drafts of strategic asset allocation and tactical benchmarks subject to approval by the Banks' Board and Investment Committee, respectively. The investment benchmarks include all limits and rules governing the investment process as well as the structure of assets consistent with the reserves management principles set by the Board.

Credit risk management

Reserve management process entails credit risk exposure, defined as default on obligations by an issuer of the securities or counterparty. The Central Bank of the RA evaluates the counterparty creditworthiness based on the credit ratings assigned by leading internationally recognized credit rating agencies.

The Bank sets minimum rating requirement for securities issued by governments, government agencies, other government authorities, and supranational organizations. These ratings can not be lower than AA- (S&P)/Aa3 (Moody's) for long-term issues and A1+ (S&P)/P1 (Moody's) for short-term issues.

To monitor the credit risk the Bank uses an in-house developed model, which allows assessing the issuer default probability based on stock prices and balance sheet data. It belongs to the class of structural models, providing an economically meaningful explanation of default based on the asset-liability structure and financial leverage. The model is based on the barrier option price equation which is one of components of implied rating issued by FITCH. Ratings and model results are used to build a matrix of investment limits for each rating group, maturity, individual counterparties, and asset classes. The matrix is the main tool for the credit risk management.

Maximum credit risk without guaranty or other credit security

The table below presents the worst scenario of the Bank's exposure to credit risk, as of 31 December 2010, and 31 December 2009, without consideration of security. For balance sheet assets, credit risks have been based on net carrying value.

In thousand Armenian drams	Note	Gross maximum risk, as of 31 December 2010	Gross maximum risk, as of 31 December 2009
Placements with banks and other financial institutions	11	158,102,101	221,678,070
Financial instruments fair value through profit or loss recognized in the statement of comprehensive income	12	404,632,917	459,234,675
Loans and reverse repurchase agreements	15	70,615,499	70,735,139
Available-for-sale assets	13	88,706,682	121,205,110
Held-to-maturity investments	13	99,811,437	29,033,954
International Monetary Fund	14	63,670,237	101,621,324
Credit risk, total		885,538,873	1,003,508,272

Where financial instruments are recorded at fair value, the amounts above presented will denote the current risk but not the maximum one, which may arise in future as a result of changes in fair value.

Liquidity risk

Liquidity risk management: as a fiscal agent of the Government and the monetary authority of the RA, the Bank is responsible for public debt service, the Government's foreign payments service and for smoothing out sharp fluctuations in national currency in the domestic market. From this perspective proper cash and liquidity management is crucial.

Based on the reserves' management objectives and grouping liquidity needs based liabilities' term structure, Armenia's international reserves have been divided into three tranches – working capital, liquidity and investment tranches. While the first two are designed to meet short-term/instant and mid-term liquidity requirements, the purpose of investment tranche is the accumulation of wealth.

Depending on the designation of portfolio/tranche the policy varies in terms of benchmarks and the choice between active or passive management.

Below we present the distribution of the Bank's non-discounted financial liabilities, as of December 31, 2010 and 2009 in accordance with the period spanning from the balance sheet date to the expiration date specified in contracts.

In thousand Armenian drams							2010
	Demand or less than 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	No maturity	Total
Financial liabilities							
Notes and coins in circulation	-	-	-	-	-	348,164,734	348,164,734
Deposits and balances from financial and other institutions	180,489,100	-	-	-	-	-	180,489,100
Due to the Government of the Republic of Armenia	83,771,724	27,156,571	-	-	-	-	110,928,295
Due to IMF	120,364,074	-	8,523,491	148,181,976	1,487,336	-	278,556,877
Other borrowings	-	-	238,146	1,585,982	30,393,480	-	32,217,608
Total non-discounted financial liabilities	384,624,898	27,156,571	8,761,637	149,767,958	31,880,816	348,164,734	950,356,614

In thousand Armenian drams

2009

	Demand or less than 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	No maturity	Total
Financial liabilities							
Notes and coins in circulation	-	-	-	-		320,669,631	320,669,631
Deposits and balances from financial and other institutions	198,160,386	3,793,770	1,908,238	-	-	-	203,862,394
Due to the Government of the Republic of Armenia	72,568,670	-	110,955,766	-	-	-	183,524,436
Due to IMF	106,651,903	-	8,846,564	149,538,921	3,411,701	-	268,449,089
Other borrowings	-	-	236,077	1,811,255	31,219,870	-	33,267,202
Total non-discounted financial liabilities	<u>377,380,959</u>	<u>3,793,770</u>	<u>121,946,645</u>	<u>151,350,176</u>	<u>34,631,571</u>	<u>320,669,631</u>	<u>1,009,772,752</u>

Market risk

Market risk is defined as possible loss of the value of the assets due to adverse exchange rate and interest rate fluctuations.

The *currency composition* of reserves is defined for each liquidity tranche, aiming to hedge the factors underlying the creation of each tranche. Armenia's foreign public debt is the major reason for holding reserves and is the main foreign currency demand driving factor. As a result, the currency composition of the reserves mainly mirrors the currency composition of debt. Currency composition for short term liquidity tranche is affected by the composition of the flows generated from foreign trade as well as possible intervention needs and current payments. The currency composition is subject to revision at least semi-annually.

As to *interest rate risk*, within the three level management structure the Board defines the overall *risk tolerance*, which is the acceptable level of interest rate risk in the long run. It also outlines portfolio optimization principles. The risk tolerance is defined as a minimum acceptable return over certain period of time (now 3 years) with 95 percent confidence level. The authority to set tactical benchmarks is delegated to Investment Committee.

The purpose of tactical benchmarks is to maximize return in a shorter period (1 year). In contrast to strategic decisions, benchmarks take into account current market trends and forecasts. The methods of modelling were improved significantly. Optimal portfolios are constructed based on scenario analysis using VAR-MGARCH model simulated yield curves as well as internal and market consensus expectations on interest rates and credit spreads. For optimal portfolio selection Markowitz Model with certain limitations is used.

For risk monitoring, Risk Management division of the Financial Department uses a number of widely used risk measures like Key Rate Duration, Information Ration, Spread Duration, PCA Duration, and Tracking Error.

The following table shows the currencies which can affect the Bank's non-commercial dram-denominated assets and liabilities and projected flows thereon, as of December 31, 2010. The analysis measures the impact of possible foreign currency fluctuations vis-à-vis the Armenian dram (provided that other variables remain constant) on the statement of financial results, determined by the change in fair value of non-commercial dram-denominated assets and liabilities sensitive to the foreign currency. In the Table, the negative value denotes net potential decrease while the positive value denotes net potential increase, in the statement of financial results or in equity.

In thousand Armenian drams		2010		2009	
Currency	Change in currency rate in %	Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
USD	+20%	53,977,794	53,977,794	69,619,854	69,619,854
USD	-20%	(53,977,794)	(53,977,794)	(69,619,854)	(69,619,854)

The following table demonstrates the sensitivity of the Bank's equity, which is calculated by revaluating fixed rate available-for-sale financial assets at 31 December 2010 for the effects of the assumed changes in interest rates. The sensitivity of equity is analysed by maturity of the asset. The sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve.

In thousand Armenian drams		2010		2009	
Currency	Change in basis points	Up to 1 year	More than 1 year	Up to 1 year	More than 1 year
AMD	+25	(959)	(141,668)	(7,385)	(167,873)
AMD	-25	729	136,647	5,120	171,489

The following table demonstrates the sensitivity to profit of the Bank, which is calculated by revaluating financial instruments at fair value through profit and loss as of 31 December 2010, based on the assumption of changing interest rates.

In thousand Armenian drams		2010	2009
Currency	Change, basis points	Impact on profit before tax	Impact on profit before tax
Foreign currency	+25	(914,599)	(893,533)
Foreign currency	-25	914,599	893,533

29 Average effective interest rate

The table below displays the Bank's interest bearing assets and liabilities as at 31 December 2010 and as at December 2009 and their corresponding average effective interest rates as at that date. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

In thousand Armenian drams

	Value	2010 Average Effective Interest Rate	Value	2009 Average Effective Interest Rate
Interest Bearing Assets				
Placements with banks and other financial institutions				
<i>Nostro accounts</i>				
- USD	90,353,330	0.16%	143,848,833	0.08%
- EUR	28,253,122	0.36%	36,195,576	0.56%
- GBP	1,053,146	0.00%	1,249,523	0.11%
- Other currencies	210,537	0.00%	127,318	0.00%
<i>Deposits and other balances in foreign banks</i>				
- USD	32,739,803	4.14%	34,062,534	7.3%
- GBP	4,677,966	0.69%	-	-
<i>Other balances</i>				
- USD	499,399	0.00%	5,921,977	4.95%
- EUR	314,798	0.00%	272,309	0.00%
	158,102,101		221,678,070	
Financial instruments at fair value through profit or loss				
<i>Foreign government securities under own management</i>				
- USD	179,843,535	1.30%	241,852,660	1.6%
- EUR	178,617,270	1.90%	173,548,932	2.5%
<i>Assets under trust management</i>				
- USD	42,465,054	1.20%	43,758,444	2.5%

In thousand Armenian drams

	Value	2010 Average Effective Interest Rate	Value	2009 Average Effective Interest Rate
Contracts under own management				
- USD	45,335	0.00%	22,589	0.00%
- EUR	16,204	0.00%	52,050	0.00%
Money market instruments				
- USD	3,645,519	0.27%	-	-
	404,632,917		459,234,675	
Loans and reverse repurchase agreements				
- AMD	70,615,499	7.84%	70,735,139	7.7%
Available-for-sale assets				
- AMD	55,644,010	0.00%	79,629,720	0.00%
- AMD	12,124,141	11.00%	25,936,859	8.6%
- AMD (Equity investments)	20,937,614	0.00%	15,637,614	0.00%
- EUR (Equity investments)	917	0.0%	917	0.0%
Held to maturity				
- AMD	4,132,916	6.47%	3,862,867	5.8%
- GBP	19,083,251	0.44%	25,171,087	0.40%
- JPY	76,595,270	0.12%	-	-
	188,518,119		150,239,064	
Placements with the IMF				
- SDR (SDR holdings)	63,670,237	0.29%	101,621,324	0.37%
Interest Bearing Liabilities				
Deposits and balances from financial and other institutions				
<i>Current accounts of domestic banks</i>				
- AMD	57,515,911	0.00%	40,449,703	0.00%
- Other currencies	88,236,533	0.00%	148,673,237	0.00%

In thousand Armenian drams

	Value	2010 Average Effective Interest Rate	Value	2009 Average Effective Interest Rate
<i>Other term deposits</i>				
- EUR	1,684,280	1.13%	1,903,238	1.3%
- AMD	254,710	0.00%	7,995	0.00%
<i>Other accounts</i>				
- AMD	23,055,151	4.25%	8,989,753	0.00%
- Other currencies	9,729,220	0.00%	39,699	0.00%
- AMD	-	-	3,756,770	4.75%
	180,475,805		203,820,395	
Due to the Government of the Republic of Armenia				
- AMD	106,545,573	10.00%	177,194,796	9.00%
- Other currencies	3,989,112	0.00%	1,329,188	0.00%
	110,534,685		178,523,984	
Liabilities to IMF				
-SDR	82,284,509	0.00%	95,263,527	0.50%
-AMD	195,802,721	0.00%	172,556,583	0.00%
	278,087,230		267,820,110	
Other borrowed funds				
- EUR	27,599,809	0.78%	28,309,397	0.60%
Other liabilities				
<i>Demand deposits</i>				
- AMD	531,068	14%	428,266	13.5%
<i>Other liabilities</i>				
- AMD	822,826	0.00%	425,036	0.00%
- Other currencies	146,096	0.00%	206,504	0.00%
	1,499,990		1,059,806	

30 Maturity analysis

The following table shows banking assets and liabilities by remaining contractual maturity dates as at 31 December 2010. As most financial instruments of the Bank have fixed rates, the contract maturities present the dates on which the contract interest rate is revised.

In thousand Armenian drams	Less than 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	No maturity	Total
Assets							
Cash	7,552,047	-	-	-	-	-	7,552,047
Placements with banks and financial institutions	119,902,034	32,748,474	5,451,593	-	-	-	158,102,101
Financial instruments at fair value through profit or loss	-	25,870,081	206,465,046	171,383,803	913,987	-	404,632,917
Loans and reverse repurchase agreements	6,704,810	3,201,300	2,179,257	56,109,584	2,420,548	-	70,615,499
Available-for-sale assets	-	-	56,636,853	1,533,497	9,597,802	20,938,530	88,706,682
Held-to-maturity investments	-	53,178,981	43,321,077	3,311,379	-	-	99,811,437
Placements with the IMF	12,176,896	-	-	-	51,493,341	-	63,670,237
Other assets	4,626,753	-	-	-	-	-	4,626,753
Total assets	150,962,540	114,998,836	314,053,826	232,338,263	64,425,678	20,938,530	897,717,673
Liabilities							
Notes and coins in circulation	-	-	-	-	-	348,164,734	348,164,734
Deposits and balances from financial and other institutions	180,475,805	-	-	-	-	-	180,475,805
Financial instruments at fair value through profit or loss	-	19,478	-	-	-	-	19,478
Due to the Government of the Republic of Armenia	56,421,717	54,112,968	-	-	-	-	110,534,685
Liabilities to IMF	120,364,074	-	8,523,491	147,798,146	1,401,519	-	278,087,230
Other borrowed funds	-	-	153,187	1,512,203	25,934,419	-	27,599,809
Other liabilities	1,499,990	-	-	-	-	-	1,499,990
Total liabilities	358,761,586	54,132,446	8,676,678	149,310,349	27,335,938	348,164,734	946,381,731
Net position as at 31 December 2010	(207,799,046)	60,866,390	305,377,148	83,027,914	37,089,740	(327,226,204)	(48,664,058)
Net position as at 31 December 2009	(105,472,474)	57,931,511	135,008,730	188,812,602	42,913,665	(305,031,100)	14,162,934

31 Currency analysis

The following table shows the currency structure of assets and liabilities at 31 December 2010:

In thousand Armenian drams	AMD	USD	EUR	GBP	JPY	SDR	RUR	Other	Total
Assets									
Cash	-	7,504,401	47,562	15	-	-	-	69	7,552,047
Placements with banks and financial institutions	-	123,592,532	28,567,920	5,731,112	31,138	-	58,346	121,053	158,102,101
Financial instruments at fair value through profit or loss	-	225,999,443	178,633,474	-	-	-	-	-	404,632,917
Loans and other claims	70,615,499	-	-	-	-	-	-	-	70,615,499
Available-for-sale investments	88,705,765	-	917	-	-	-	-	-	88,706,682
Held-to-maturity investments	4,132,916	-	-	19,083,251	76,595,270	-	-	-	99,811,437
Placements with the IMF	-	-	-	-	-	63,670,237	-	-	63,670,237
Property and equipment	26,312,189	-	-	-	-	-	-	-	26,312,189
Intangible assets	583,179	-	-	-	-	-	-	-	583,179
Other assets	3,752,261	18	874,474	-	-	-	-	-	4,626,753
Total assets	194,101,809	357,096,394	208,124,347	24,814,378	76,626,408	63,670,237	58,346	121,122	924,613,041
Liabilities									
Notes and coins in circulation	348,164,734	-	-	-	-	-	-	-	348,164,734
Deposits and balances from banks and other financial institutions	80,825,771	74,409,429	25,240,577	26	-	-	2	-	180,475,805
Financial instruments at fair value through profit or loss	-	19,478	-	-	-	-	-	-	19,478
Due to the Government of the Republic of Armenia	106,545,573	1,533,121	2,455,991	-	-	-	-	-	110,534,685
Debt securities issued	-	-	-	-	-	-	-	-	-
Liabilities to IMF	195,802,721	-	-	-	-	82,284,509	-	-	278,087,230
Other borrowed funds	-	10,989,520	16,610,289	-	-	-	-	-	27,599,809
Other liabilities	1,353,894	143,076	2,983	-	-	-	37	-	1,499,990
Total liabilities	732,692,693	87,094,624	44,309,840	26	-	82,284,509	39	-	946,381,731
Net on balance sheet position as of 31 December 2010	(538,590,884)	270,001,770	163,814,507	24,814,352	76,626,408	(18,614,272)	58,307	121,122	(21,768,690)
Net on balance sheet position as of 31 December 2009	(510,034,315)	344,311,158	159,392,138	26,420,598	2,489	6,357,797	32,728	3,871,035	30,353,628