

Byblos Bank Armenia C.J.S.C.

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AUDITORS' REPORT



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Independent Auditors' Report

To the Board of Directors
'Byblos Bank Armenia' cjsc

Report on the Financial Statements

We have audited the accompanying financial statements of 'Byblos Bank Armenia' cjsc (the 'Bank'), which comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in shareholders' equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Andrew Coxstall
Director

Tigran Gasparyan
Director, Audit Department

KPMG Armenia cjsc
24 February 2009



KPMG Armenia, an Armenian closed joint stock company and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative

YEAR ENDED
31 DECEMBER 2008

Income Statement

		2008	2007
AMD'000	Interest income	696,393	587,619
	Interest expense	(157,010)	(104,861)
	NET INTEREST INCOME	539,383	482,758
	Fee and commission income	81,383	87,505
	Fee and commission expense	(40,816)	(78,857)
	NET FEE AND COMMISSION INCOME	40,567	8,648
	Net foreign exchange income	144,210	176,925
	Net realized (loss)/gain on available-for-sale assets	(62)	238
	Other income	4,625	25,513
		728,723	694,082
	Impairment losses	(108,992)	(10,015)
	General administrative expenses	(877,164)	(682,165)
	(LOSS)/INCOME BEFORE TAXES	(257,433)	1,902
	Income tax benefit/(expense)	28,020	(11,074)
	NET LOSS	(229,413)	(9,172)

	Dec / 2008	Dec / 2007	
ASSETS			AMD'000
Cash	141,578	1,224,003	
Due from the Central Bank of Armenia	772,088	636,447	
Placements with banks and other financial institutions	3,432,745	676,240	
Loans to customers	7,214,117	2,014,752	
Available-for-sale assets			
- Held by the Bank	190,538	740,123	
- Pledged under repurchase agreements	1,334,083	-	
Property and equipment	539,792	564,096	
Other assets	53,572	59,824	
Deferred tax asset	25,685	-	
Total Assets	13,704,198	5,915,485	
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits and balances from banks and other financial institutions	893,786	720,186	
Amounts payable under repurchase agreements	1,333,946	-	
Current accounts and deposits from customers	3,187,072	2,099,504	
Other liabilities	78,600	65,149	
Deferred tax liability	-	4,157	
Total liabilities	5,493,404	2,888,996	
SHAREHOLDERS' EQUITY			
Share capital	8,125,100	2,965,600	
Share premium	257,149	-	
Revaluation reserve for available-for-sale assets	(783)	2,148	
(Accumulated losses)/retained earnings	(170,672)	58,741	
Total shareholders' equity	8,210,794	3,026,489	
Total liabilities and shareholders' equity	13,704,198	5,915,485	