

Independent auditor's report

To the shareholders of "Areximbank" CJSC

We have audited the accompanying balance sheet of "Areximbank" CJSC (the "Bank") as at 31 December 2003, and the related statements of income, cash flow and changes in shareholders' equity for the year then ended. These financial statements set out on pages 6 to 32 are the responsibility of the Bank management. Our responsibility is to express an opinion on these financial statements based on our audit. In our auditor's report dated April 22, 2003 we expressed unqualified opinion on the financial statements of the Bank as of and for the year ended December 31, 2002.

We conduct our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Bank Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as of December 31, 2003, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Yerevan, 23 January 2004

Grant Thornton Amyot LLC



Grant Thornton Amyot

Statement of income

for the year ended 31 December 2003
(in thousand of Armenian Drams)

	Notes	2003 (audited)	2002 (audited)
Interest income	4	480,655	472,868
Interest expenses	4	(245,571)	(216,136)
Net interest income		235,084	256,732
Fees and commission income	5	432,503	318,202
Fees and commission expenses		(64,755)	(58,937)
Net fee and commission income		367,748	259,265
Gains less losses from foreign exchange transaction and translation		21,713	45,614
Other operating income	6	31,513	16,115
Operating income		656,058	577,726
Allowance for impairment	7	(126,525)	(85,483)
Other operating expenses	8	* (678,307)	(474,878)
Profit/(loss) before tax		(148,774)	17,365
Income tax (expense)/recovery	20	2,137	(3,038)
Net profit/(loss)		(146,637)	14,327

The accompanying notes on pages 10 to 32 form an integral part of these financial statements.

Balance sheet

As of 31 December 2003
(in thousand of Armenian Drams)

	Notes	2003 (audited)	2002 (audited)
ASSETS			
Cash in hand and balances with the CBA	9	1,291,776	554,330
Amounts due from credit institutions	10	2,554,372	2,006,916
RA Government bills held for trading		-	148,587
Loans and advances to customers	11	2,410,077	2,501,534
Investment securities:	12		
- available for sale		219,877	209,131
- held to maturity		107,959	-
Property, plant and equipment	13	939,355	489,114
Intangible assets	14	101,526	90,582
Other assets	15	346,445	196,753
Total assets		7,971,387	6,196,947
LIABILITIES AND EQUITY			
Amounts due to credit institutions	16	282,803	226,857
Amounts due to customers	17	5,762,090	3,918,423
Interests payable and other liabilities	18	50,489	29,025
Total liabilities		6,095,382	4,174,305
Share capital	19	2,013,327	2,013,327
General reserves		5,828	5,828
Accumulated profit/(loss)		(143,150)	3,487
		1,876,005	2,022,642
Total liabilities and equity		7,971,387	6,196,947

The accompanying notes on pages 10 to 32 form an integral part of these financial statements.

The financial statements were approved on 20 January 2004 by the Management of the Bank and signed by the Bank's General Director and Chief Accountant.



"AREXIMBANK" CJSC
Financial statements for the year ended 31 December 2003

A. JULHAKYAN

Chief Accountant

Statement of changes in equity

for the year ended 31 December 2003
(in thousand of Armenian Drams)

	Share capital	General reserves	Accumulated profit/(loss)	Total
Balance as at 31.12.01 (audited)	2,013,327	5,669	(10, 161)	2,008,835
Net profit for the period	-	-	14,327	14,327
Transfer to reserves	-	159	(159)	-
Adjustment to reserve	-	-	(520)	(520)
Balance as at 31.12.02 (audited)	2,013,327	5,828	3,487	2,022,642
Net loss for the period	-	-	(146,637)	(146, 637)
Balance as at 31.12.03 (audited)	2,013,327	5,828	(143,150)	1,876,005

Statement of cash flow

for the year ended 31 December 2003
(in thousand of Armenian Drams)

	Notes	2003 (audited)	2002 (audited)
<u>Cash flows from operating activities</u>			
Profit/(loss) before tax		(148,774)	17,365
Adjustments for:			
- Allowance for impairment	7	104,362	64,623
- Write off of correspondent accounts through provision	7	(68)	(4)
- Depreciation and amortization		72,869	51,828
- (Gains)/loss from disposal of PPE		7,178	423
- Interest income and other accounts receivable		30,133	1,830
- Interest expense and other accounts payable		23,879	253
Income tax (paid)/recovered		(2,489)	519
<u>Operating profit before changes in operating assets and liabilities</u>		87,090	136,837
<u>(Increase)/decrease in operating assets</u>			
Loans and deposits to banks		(28,300)	-
Trade securities		148,587	-
Loans to customers		22,939	(863,468)
Other assets		(209,585)	(68,886)
<u>Increase/(decrease) in operating liabilities</u>			
Deposits from credit institutions		(136,259)	(9,838)
Amounts due to customers		1,843,667	1,198,268
Other liabilities		1,742	2,383
Net cash flow from operating activities		1,729,881	395,296
<u>Cash flows from investing activities</u>			
(Purchase)/sale of investment securities		(118,713)	68,794
Property and equipment purchased	13	(522,006)	(375,093)
Property and equipment sold		5,879	-
Intangible assets purchased	14	(25,105)	(69,460)
Net cash flow from investing activities		(659,945)	(375,759)
<u>Cash flow from financing activities</u>			
Inter-bank loans and deposits		192,205	(84,271)
Net cash flow from financing activities		192,205	(84,271)
Net increase/(decrease) in cash and cash equivalents		1,262,141	(64,734)
Cash and cash equivalents at the beginning of the period		2,581,518	2,646,252
Cash and cash equivalents at the end of the period	9	3,843,659	2,581,518

Statement of management responsibilities

The management is responsible for the preparation of these financial statements. In so doing they are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgments and estimates, which are reasonable and prudent;
- Prepare the financial statements on a going concern basis, unless management either intends to liquidate the Bank or has no realistic alternative but to do so.

The management is responsible for keeping proper accounting records, which disclose with reasonable accuracy the financial position of the Bank. They have a general responsibility for taking such steps as reasonably open to them to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities.

Yerevan

20 January 2004



A. JULHAKYAN

Chief Accountant

A handwritten signature in blue ink, appearing to read 'A. Julhakyan'.