

# **HSBC Bank Armenia cjsc**

**Statements, forming part of the  
Financial Statements for the  
year ended 31 December 2010**

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## Statement of Management's Responsibilities

The management of the Bank is responsible for the preparation of financial statements which give a true and fair view of the financial position of the Bank, in all material respects. In preparing these financial statements, the directors are required to:

- select appropriate accounting policies, present them for the Board's approval and apply them consistently;
- make reasonable judgements and estimates;
- keep proper accounting records;
- comply with the requirements of the Accounting Standards, in case discrepancies exist, disclose them in the notes to the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Bank will continue in business;
- design, implement and maintain effective and reliable internal control system relevant to the internal control minimum requirements specified by the Central Bank of the Republic of Armenia;
- set up effective accounting system complying with the requirements of the RA legislation and the Accounting Standards, as well providing timely and accurate information on the Bank's financial position;
- take such steps within its authorities to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities.

  
Astrid Clifford  
Chief Executive Officer



  
Astghik Drambyan  
Chief Accountant



## **Statement of Compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2010, and its financial performance and its cash flows for the year then ended.

**Opinion on compliance with the requirements of the Central Bank of Armenia on internal controls**

This opinion is prepared based on results of audit checks and ongoing control executed during 2010 by the Bank's Internal Audit Department.

Taking into consideration above mentioned, in our opinion HSBC Bank Armenia activity during 2010 was in compliance with the requirements of the Central Bank of Armenia on internal controls.

Internal Audit Department

## Business Review and Financial Analysis

HSBC Bank Armenia cjsc provides a wide range of financial services. In 2010 the Bank has continued to expand its operations, whilst maintaining a strong and healthy financial base.

In the fifteenth full year of operations the steady growth trend of the recent years has been maintained. The Bank continued to develop its products and services and increased the customer base.

2010 was a successful year. Improved economic environment in the country combined with growth strategy and effective risk management were grounds for the success.

The main achievements were the highest ever growth of corporate loan portfolio and building on the newly introduced telephone and internet banking services, as well as development of new products and services.

Corporate loan portfolio increased by 67% and amounted to AMD 65 billion as at 31 December 2010. Among new products and services introduced during year 2010 were corporate ATM cards, cumulative saving accounts, insurance agency services, remittances to China, launch of Trade Academy for SME.

Profit before tax for the year was AMD 5.9 billion and this is the best result in Armenian banking sector. Total assets as at 31 December 2010 were AMD 144.9 billion and the Bank maintained its position as one of the largest banks in the Armenian market for assets size. As at 31 December 2010 the loans to customers portfolio amounted to AMD 85.8 billion, a 31.4% growth over previous year.

In Euromoney's Awards for Excellence 2010, HSBC Bank Armenia has been named Best Bank in Armenia. Bank was awarded "Best Foreign Exchange Provider in Armenia" by Global Finance, New York.

None of this would have been possible without commercial success, loyalty and support of 41,600 customers, or indeed without the untiring efforts of the Bank's 384 excellent staff. Noteworthy are management efforts towards increasing staff motivation, which resulted in significant increase of staff engagement score.

This year the Bank's corporate sustainability continued investing in locally developed programs as well as HSBC Group educational and environmental partnerships. Examples include joining global initiatives ("Earth Hour"), participation in HSBC Climate Partnership programme, tree planting and AntiPlastic campaigns, participation in the Group Programs ("Future First", "JA More than Money", "Toy/Book/Coat Drive"), signing a memorandum with the Ministry of Nature Protection, Khosrov Forest State Reserve SNCO and the Caucasus Nature Fund to improve eco-literacy and develop eco-tourism among the population.

### Financial review


The Bank's net profit after tax for the period was AMD 4,557 million, which is 182 percent higher than prior year result.

Net interest income and other operating income rose to AMD 9,171 million and AMD 3,684 million respectively. Operating expenses were AMD 7,124 million. The efficiency ratio for 2010 was 55.4%. Return on equity ratio for 2010 stood at 22.7%.

The Bank did not pay dividends during 2010, instead reinvesting profits for future growth. To support the expansion in 2010 the shareholders of the Bank made a capital injection of AMD 2,882 million.

  
Ranjit Gokarn  
Board Member



  
Ara Alexanian  
Board Member