



Annual Review 2008

NASDAQ OMX Armenia



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The NASDAQ OMX Group, Inc. is the world's largest exchange company with trading, technology and public company service capabilities that reach across six continents.

NASDAQ OMX globally covers the widest geography with its large number of company listings and executes more transactions than any other exchange. Owning exchanges in North America and Europe, NASDAQ OMX serves as a trading venue for multiple asset classes including equities, derivatives, debt, commodities, structured products and ETFs, in addition to supporting the development and operations of more than 60 exchanges in over 50 countries around the world. Through offices in over 20 countries, NASDAQ OMX delivers services and forward-thinking technology with the power to drive capital formation, transform business and fuel economic growth around the world.

NASDAQ OMX in Armenia

The NASDAQ OMX Group, Inc. was created in February 2008 as a result of the merger between two leading exchange operators – U.S. Nasdaq and Nordic OMX. Before that, in November 2007, through an agreement with the Government of Armenia, OMX AB became the owner of 100% of the shares of the “Armenian Stock Exchange” open joint stock company and “Central Depository of Armenia” open joint stock company. Both companies thus became a part of the world's largest exchange with presence in developed and emerging markets.

“Armenian Stock Exchange” ojsc was established by the Securities Market Members Association in 2001, as a self-regulatory organization. Later, in October 2007 it was demutualized and transformed into an open joint stock company. On January 27, 2009, Armex was officially renamed “NASDAQ OMX Armenia”. NASDAQ OMX Armenia core activities include securities listing and admission to exchange trading; providing electronic platform for trading in equities, fixed income securities, currency and REPO agreements; and disclosure of information on public companies and exchange trading results. Through promotion of an efficient, fair and transparent securities market, the stock exchange strives, on the one hand, to create a favorable environment to raise capital for Armenian companies, and, on the other, to provide domestic and foreign investors with the best opportunities and conditions to invest in the Armenian economy.

“Central Depository of Armenia” ojsc (CDA) provides services of a centralized securities depository, including personal securities account maintenance and company shareholders registry keeping. It has a significant role to play in protecting the lawful interests of security holders, including minority shareholders. The CDA also performs clearing and settlement on exchange and OTC trades in securities.



Strategy & Business Model

Strategy

Still in a developing phase, the Armenian capital market has much capacity to be built and a lot of potential to be realized. With that in mind, becoming the sole shareholder of the Armenian exchange operator and the central depository, NASDAQ OMX set the following strategic objectives:

- Create long-term value in the acquired companies through growth and increased profitability,
- Contribute to the overall development of the Armenian capital market,
- Support further expansion in the region through providing experience in the integration and development of exchanges and depositories.

These strategic objectives helped also articulate the vision for long-term market development:

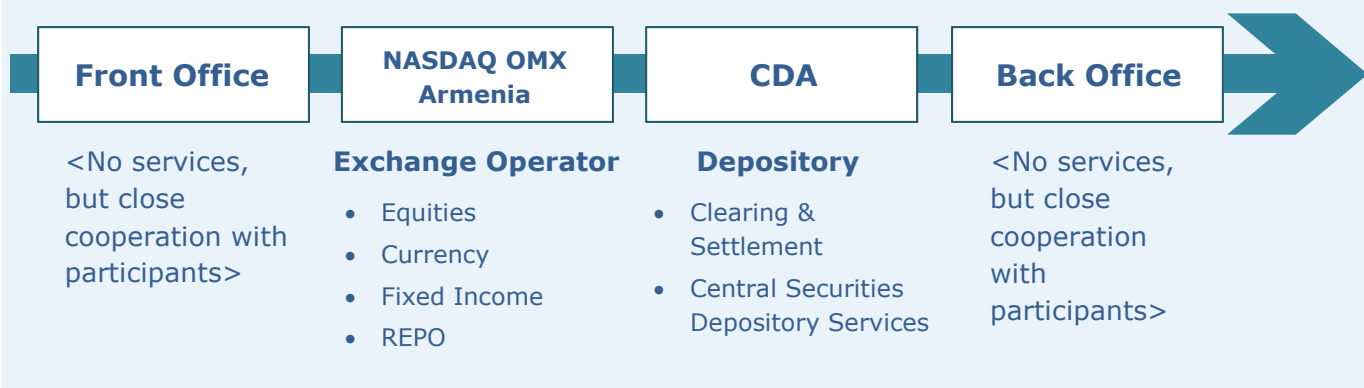
"Armenia – the leading capital market in the region: to operate a trusted and liquid marketplace that provides efficient services, meeting the needs of customers in Armenia and beyond".

Business model

NASDAQ OMX' business model is to provide services for the exchange and depository part of the transaction chain, while cooperating closely with the users of these services to provide efficiency throughout the transaction chain, including front office and back office operations.

In Armenia, too, NASDAQ OMX works to achieve its vision by using the above business model, by which NASDAQ OMX provides the services of a stock exchange, as organized by NASDAQ OMX Armenia and the services of a central depository, as organized by the Central Depository of Armenia (CDA).

NASDAQ OMX Business Model



Capital Market Overview

Year 2008 saw many qualitative improvements in the Armenian capital market. Strengthened requirements to the equity capital of investment companies enforced during 2008, have led to a reduction in the number of licensed investment companies; on the other hand, banks became allowed to enter the corporate securities market. These two new factors explain why by the end of 2008, more than 75% of NASDAQ OMX Armenia members were banks, while in 2007 only one bank was a stock exchange member.

Overall it can be stated that the entry of NASDAQ OMX helped enhance the interest and involvement from all capital market stakeholders in Armenia. As a result, year 2008 was a year of a remarkable cooperation between all of them aimed at building the capacity of the marketplace and increasing its profile among various groups of users. The Government of the Republic of Armenia has played a substantial role in this process: in 2008, it undertook to introduce temporary tax incentives for companies that decide to go public and list on NASDAQ OMX Armenia. A package of amendments to the local tax legislation was developed and approved by the Government that envisaged profit and value added tax rebates for such companies. The package has now been submitted to the National Assembly of the Republic of Armenia and is expected to be ratified soon.

In its own turn, to improve the attractiveness of the Armenian publicly traded financial instruments and further

heighten shareholder protection, NASDAQ OMX Armenia introduced raised listing and information disclosure requirements for exchange traded companies. Though responsible for the reduction in the number of listed companies, such change in requirements has ultimately contributed to the increased quality of exchange traded corporate securities.

In 2008, the corporate fixed income market saw solid growth, both in new listings and in trading volumes. Most of the corporate entities that used public bonds issues to raise funds in 2007, continued to be active

2008 was a year of a remarkable cooperation between all stakeholders aimed at building the capacity and increasing the profile of the marketplace among various groups of users.

in the fixed income market. This has also led to corporate bonds issues by companies newly entering the Armenian securities market, and, ultimately, an unprecedented value of placements and trading.

No review of 2008 can avoid to mention the global financial crisis that hit markets with full force in the last part of the year. Though still not highly integrated into the global economy, Armenia did experience the waves of the global downturn. On the expectations of continued decline and economic uncertainty, most companies and investors put on their conservative hats and



endeavored to postpone making any critical financial decisions. Nevertheless, early January 2009 saw the launch of the first ever initial public offering (IPO) of stocks in Armenia – among other things evidence of the fact that market players consider crisis not only a time of hardship, but also a time of opportunities.

Post-Period Events

Beginning of year 2009 was marked by continued efforts aimed at increasing awareness about the advantages offered by capital markets, especially among corporate decision-makers. On February 27, 2009, in cooperation with Grant Thornton, the first ever Capital Markets Conference in Armenia was held. Featuring several international guest speakers the conference was attended by Government officials, as well as more than 100 representatives of large local companies, and is contributed to raising awareness of and interest in the Armenian capital market.

Just about the same time, a brand new portal www.capitalmarket.banks.am dedicated entirely to the Armenian capital market was launched by MediaMax news agency. The portal contains daily updates on stock exchange trading and market in general, and is designed to become one of the primary sources of information in Armenia on all things capital market.

A post-period development well worth mentioning is the sharp appreciation of the US Dollar against the Armenian Dram that

occurred on March 3, 2009. In one day the US Dollar went from AMD 305 up to AMD 372, or by more than 20% - a leap caused by the Central Bank of Armenia announcing its return to a floating exchange rate regime.

Much applauded by international financial institutions as beneficial in the long run, this shift in policy has nevertheless become a burden for local businesses and the population. Prices for many consumer products have risen, while the Government announced their expectations for the GDP to shrink, albeit not significantly, in 2009.

IPOs have become increasingly mentioned by Armenian companies as an attractive target and part of their plans for the near future.

Notwithstanding, forecast for the Armenian capital market still remains positive – not least because finding it difficult to borrow from banks in times of the crisis, companies begin looking for alternative sources of funds. As an example, early 2009 saw the first ever initial public offering (IPO) of equities in Armenia happen and complete successfully.

Crisis effects coupled with the depreciation of the local currency are also expected to shift interest of both demand and supply sides of the Armenian capital market from fixed income to equity instruments. IPOs have become increasingly mentioned by companies as part of the plans for the near future.



Overview of Activities in 2008

Integration was among the activities that kept NASDAQ OMX busy during the reported year. Apart from the integration between US NASDAQ and Nordic OMX, Armenian Stock Exchange and the Central Depository of Armenia (CDA), joining under the NASDAQ OMX brand put much effort in complying with the raised standards of activities and implementing the company's culture and values. NASDAQ OMX brand and trademark were registered in Armenia, and the NASDAQ OMX logotype replaced the stock exchange's and the central depository's old logotypes. As a final step in re-branding, on January 27, 2009, the "Armenian Stock Exchange" jsc was renamed "NASDAQ OMX Armenia" jsc, though the name NASDAQ OMX Armenia is still being used to jointly identify both the stock exchange, and the CDA as an entirety of NASDAQ OMX's holdings in Armenia.

On December 2, both the stock exchange and the depository were re-licensed and had their revised rules registered by the Central Bank of Armenia. The newly registered rules that are currently in force are based on NASDAQ OMX directives and comply with international standards in the respective areas. For example, the stock exchange fully updated its list structure along with the sets of requirements for companies and securities to be included in each. Thus, shares are now listed in either the A or B list, or admitted to trading in the free market C.

Similarly, Abond and Bbond lists and a free Cbond market have been introduced for corporate bonds.

Stocks and bonds traded on the free C and Cbond markets are not considered listed on NASDAQ OMX Armenia, but rather admitted to exchange trading. This is why there are virtually no requirements to enter the stock exchange's free market: it is open to all companies, except those under liquidation or in the bankruptcy process. By getting admitted to the exchange trading issuers of securities get a chance to start using the securities market and obtain access to a channel for disclosing their financial and corporate information to their existing and potential shareholders. Once such

Joining under an internationally recognized brand, Armenian Stock Exchange and the Central Depository of Armenia worked to comply with higher activity standards and to implement the company's culture and values.

companies feel able to comply with the stock exchange's listing requirements, they can apply to get listed. Thus, the newly introduced exchange market structure offers a higher degree of flexibility in meeting the needs of issuers.

In 2008, in addition to the existing markets for corporate equities and currency, NASDAQ OMX Armenia introduced two new markets – for Government bonds and repurchase agreements (REPO). Manual trades mechanism was also added based on the existing trading platform allowing to



reduce over-the-counter trading in all types of securities significantly. In addition to the introduction of new exchange markets, owing to automation work done within the CDA, it has become possible to extend the exchange trading sessions for corporate securities from one hour to four. Thanks to this improvement, trading on NASDAQ OMX Armenia's all markets now occurs from 11:00am to 3:00pm.

Apart from the technological improvements mentioned above, many activities during the year were focused on establishing and

Stock exchange members' forum has become an invaluable way to sustain ongoing dialogue with this important group of market players.

reinforcing communication channels with NASDAQ OMX Armenia's internal and external stakeholder groups. The task to have a sustainable and effective two-way communication was emphasized and taken in constant account. So, for example, to upgrade communication methods with stock exchange members, NASDAQ OMX Armenia introduced a Members' Forum. The monthly Forum meetings have become a venue for investment and brokerage companies to gather and jointly present to the stock exchange and the depository any issues they encounter when using their services. In absence of an official brokerage association, the Forum also serves as a vehicle to prepare and jointly submit proposals and suggestions to the Central Bank of Armenia, or to champion market

participants' interests. As for NASDAQ OMX Armenia, it has got an invaluable tool for receiving feedback from this group of its customers, as well as for discussing future activities and strategic plans.

Last but certainly not least, NASDAQ OMX Armenia worked to improve public awareness about the Armenian capital market in general audience. To this end, the stock exchange endeavored to establish relations with various media and become a constant source of information about the developments in the capital market. By the end of 2008, NASDAQ OMX Armenia cooperated with all business news agencies in Armenia, nearly 10 TV companies, as well as many printed and electronic media. The long-term plans include joint efforts with broadcast companies to establish an Armenian business channel similar to those existing, for example, in the United States (CNBC) and Russia (P5K).

Always in search of fresh talent and open to young inquisitive minds, in September 2008 NASDAQ OMX Armenia launched its official Internship Program. The Program offers undergraduate students and young professionals to dive into the fascinating world of the stock market by enrolling for internship at NASDAQ OMX Armenia in their selected areas. The Internship Program proved to be a success, and has continued into 2009.

Overall, 2008 was a successful year for NASDAQ OMX Armenia – both organizational and business wise. Most major targets were successfully accomplished, paving the way for even more exciting work ahead.



Future Plans

NASDAQ OMX Armenia plans to carry on with activities aimed at increasing the effectiveness and the efficiency of the Armenian capital market, as well as at introducing the best international standards in both stock exchange and central depository services.

IPO promotion will remain the main target for the stock exchange. This multidimensional task will be tackled through dialogue with companies that are interested in becoming public; seminars and workshops on the subject and related topics for various target groups including companies, investment service providers, and media; and, finally, assisting those who have made a decision to go public in making the initiative a success.

In parallel with that, NASDAQ OMX Armenia has launched a technology roadmap project, which is focused on reviewing the existing trading, as well as clearing and settlement systems and defining features that need to be added to increase efficiency and further improve transaction chain efficiency. Based on the findings of the project work, the trading system will be upgraded and complemented with new modules found necessary.

On the Central Depository of Armenia (CDA) side, the main task will be the implementation of T+3 based settlement system to replace the current T+0 principle. The new T+3 settlement system will also enable to lift the existing requirement for pre-deposition of securities intended for trading on the stock exchange or over-the-

counter (for sellers) and funds to buy them (for buyers of securities). Removal of the pre-deposition requirement will provide market participants with better flexibility in managing their assets, thus improving the whole trading process. As a related objective, jointly with the stock exchange the CDA will also work to establish a Guarantee Fund that will help secure the marketplace from any potential risk of failure by trading parties to meet their payment obligations.

Furthermore, though currently the CDA is the entity that assigns unique identification code to newly issued securities, these codes do not fully comply with the internationally recognized uniform ISIN system. To fill this gap, the CDA has initiated a project aimed at joining the Association of National Numbering Agencies (ANNA) and implementing the standardized numbering system in Armenia.

One of the most significant projects that the CDA has started and will continue to be involved in during 2009 is the support to the Pension Reform implemented by the Government of Armenia. The reform aims to ensure transition from the existing "pay-as-you-go" to a fully funded pension system. As the reform is implemented, the CDA will undertake the role of the institution to open and maintain personal pension accounts and will also act as the centralized custodian for authorized asset managers. The new pension system is scheduled to launch in 2010 (subject to Republic of Armenia Government decisions).



Exchange Trading Summary

Equities Market

Share trading on NASDAQ OMX Armenia was weak in 2008, reflecting the current lack of instruments in the market. Total value traded in stocks on NASDAQ OMX Armenia in 2008 was AMD 262,017,276, a 5.78 times decline over the same of 2007. The greatest monthly value was traded in December (52.96% of the year's total), but overall there was no growth or decline trend observed for monthly value of trading over the year. *Figure 1* below illustrates trading value in 2007 and 2008 on a monthly basis.

The total number of trades done in 2008 was 75, with 334,313 stocks traded.

December is also responsible for the greatest number of securities traded - 299,323, or 89.53% of the year total. Stocks of seven issuers were traded on NASDAQ OMX Armenia in 2008, which represents a 36,36% reduction over the previous year's number (11).

Table 1. Number of trades in equities, 2007-2008

Month	2008	2007	Variance, %
January	22	21	4.76
February	8	32	-75.00
March	2	15	-86.67
April	1	23	-95.65
May	2	1	100.00
June	3	24	-86.36
July	1	17	-94.12
August	2	14	-85.71
September	1	7	-85.71
October	12	19	-36.84
November	4	24	-83.33
December	17	23	-26.09
Total	75	220	-65.91

Figure 1. Exchange Trading Value, 2007-2008.

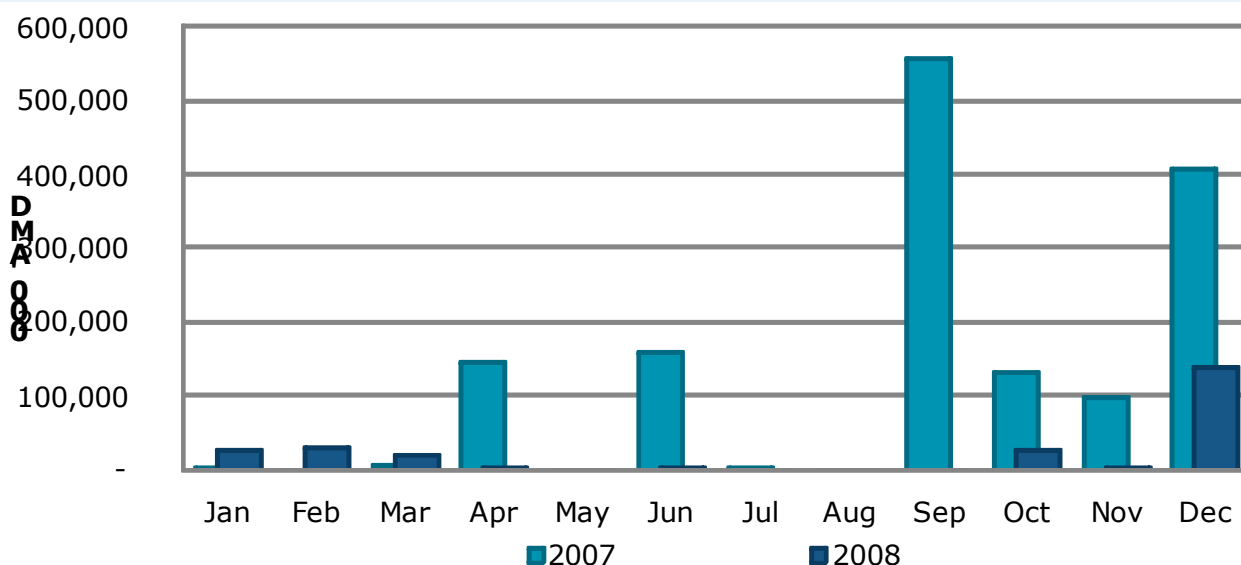
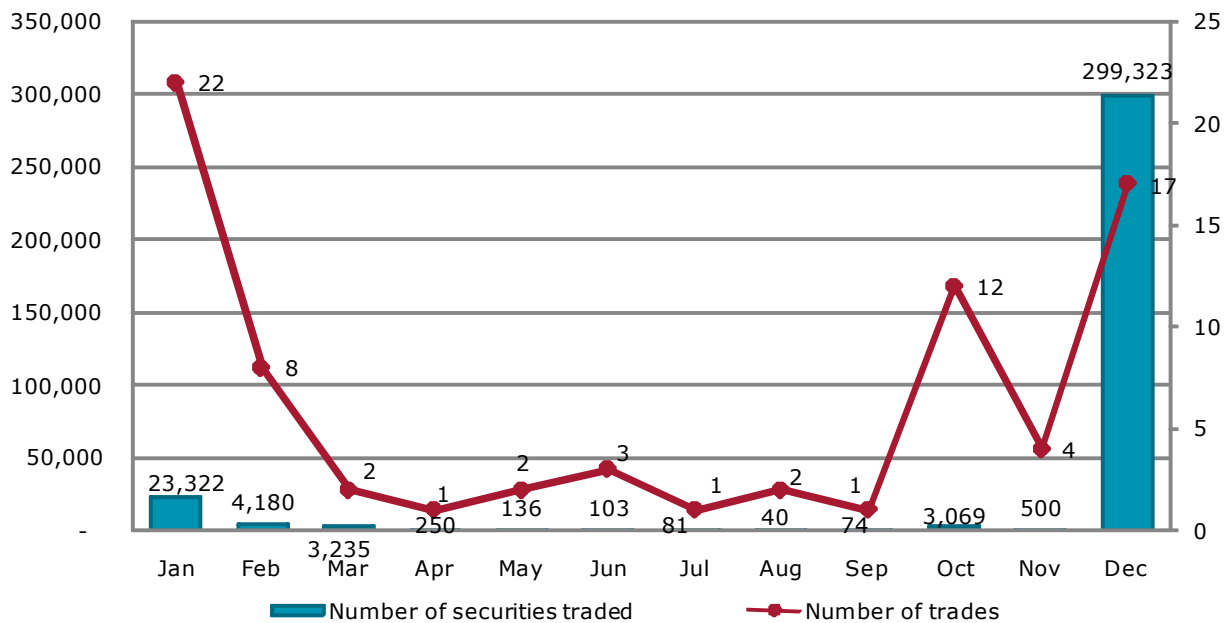


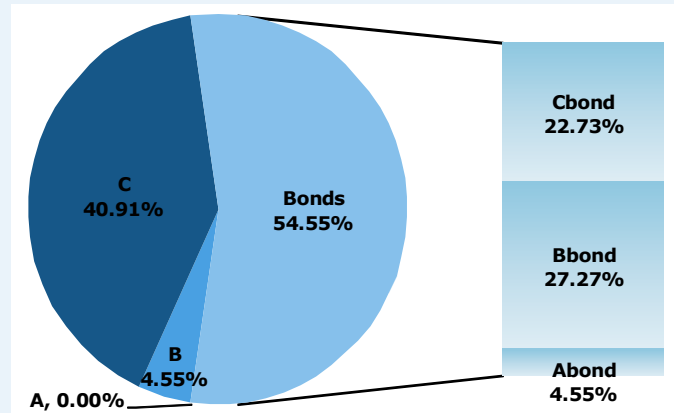
Figure 2. Number of Trades Concluded and Securities Traded, 2008



As of December 31, 2008, ten shares of nine issuers were traded on NASDAQ OMX Armenia: one of them was included in the exchange's B list, and nine were admitted to trading on the free C market for equities (see *Figure 3*). Equities listed on NASDAQ OMX Armenia were mainly common nominal stocks, except for preferred stocks of "Armenian Development Bank" jsc (ZHBKP4).

Market capitalization is one of the indicators that have grown steadily in the past five years, reaching AMD 53,991,052,180 as of December 31, 2008. In 2008 the growth was impressive (by over 68% over 2007 year-end), especially if one takes into account the continued reduction in the number of companies listed and traded on the stock exchange as a result of the heightened requirements.

Figure 3. Securities by Lists (as of 31.12.2008)



For a monthly comparison of market capitalization indicators in 2007 and 2008, as well as on yearly basis starting 2002, please refer to *Figures 4 and 5*.

Figure 4. Market Capitalization by Months (at month end), 2007-2008

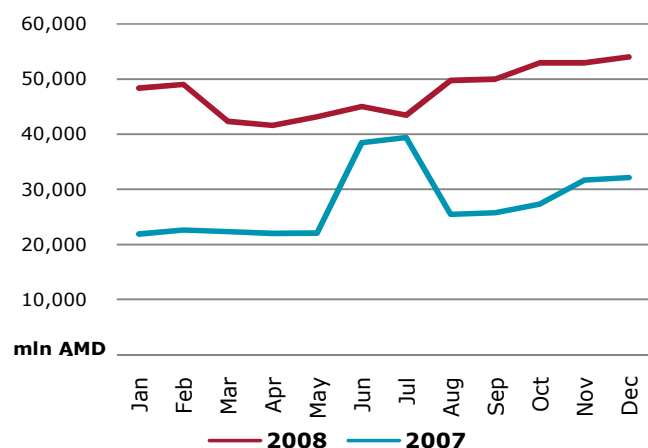
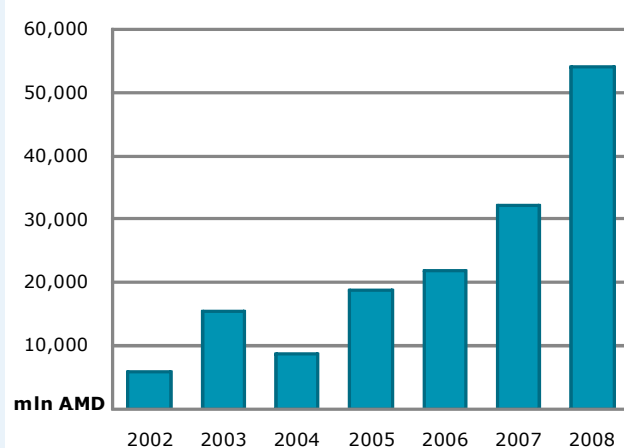


Figure 5. Market capitalization at year end, 2002-2008



Listed Companies Rankings by Selected Criteria

This section features listed companies' top fives by a number of selected criteria, such as value of trades, number of trades, and securities traded, as well as market capitalization and securities turnover ratio. Detailed exchange trading statistics on all securities traded in 2008 can be found in *Table 9*.

By Value Traded

Table 2. Top 5 Issuers by Value Traded

Ticker	Issuer	Value Traded, AMD	% of total
ALMS	ALMAST	131,106,040	50.04
ZHBK	ARMENIAN DEVELOPMENT BANK	61,737,790	19.53
ARBK	ARARATBANK	28,150,200	13.77
HEZB	ARMECONOMBANK	21,932,230	8.29
ZHBKP4	ARMENIAN DEVELOPMENT BANK	10,770,400	4.07
	OTHER	10,963,406	4.18
Total		262,017,276	

Table 2 on the left represents top five companies by value of securities traded in 2008, which jointly stand for 95.82% of total value of exchange trading in equities during the year. The combined share of these top five companies in the total number of trades done during the year makes 72% (2007: 50.21% and 63.51% accordingly). In the report year, "Almast" jsc was the leader by value traded; previous year's leader "Armenian Development Bank" jsc moved down to the second line. As seen in the table,

"Almast" jsc was responsible for more than half of the exchange trading value in 2008.

All securities in the top five list remain admitted to trading on the free C market, except “Armenian Economy Development Bank” JSC (HEZB), which is listed in the equities B list.

By Number of Trades

By number of trades concluded “ARARATBANK” jsc (ARBK) is at the top of the list with 26.67% of the total number of trades (in the meantime standing for only 1.2% of the total number of securities traded). In 2007 the first in top ten list by number of trades was “Armelectromachine” jsc (HELM) with 60.45% of total number of trades. The companies included in the top five are jointly responsible for 86.67% of the total number of trades in 2008 (2007: 90.89%).

Table 3. Top 5 Companies by Number of Trades

Ticker	Issuer	Number of Trades	% (total)
ARBK	ARARATBANK	20	26.67
HEZB	ARMECONOMBANK	16	21.33
HELM	ARMELECTROMACHINE	11	14.67
ZHBK	ARMENIAN DEVELOPMENT BANK	10	13.33
GGMA	GEGHAMA	8	10.67
	OTHER	10	13.33
	Total	75	

By Market Capitalization

As calculated based on last trade prices, the total market capitalization of companies traded on NASDAQ OMX Armenia as of December 31, 2008 was AMD 53,991,052,180. All companies included in the top five for 2008 (Table 4), except “ARARATBANK” jsc, which was not admitted to trading on NASDAQ OMX Armenia in 2007, were also in the list of top ten companies by market capitalization for the previous year. Moreover, capitalization of three of them: “Pure Iron Plant” jsc (MQER), “Armenian Economy Development

Table 4. Top 5 Companies by Market Capitalization

Ticker	Issuer	Market Capitalization, AMD	% in total
MQER	PURE IRON PLANT	25,028,939,250	46.36
HEZB	ARMECONOMBANK	12,964,023,150	24.01
ARBK	ARARATBANK	9,812,460,000	18.17
ZHBK	ARMENIAN DEVELOPMENT BANK	5,152,452,500	9.54
EJWG	YEREVAN JEWELLERY FACTORY	517,444,800	0.96
	OTHER	515,732,480	0.96
	Total	53,991,052,180	

Bank” jsc (HEZB) and “Armenian Development Bank” jsc (ZHBK) had their capitalizations increased by 262.25%, 5.87%, and 16.90% respectively, owing to the increased trade prices. The capitalization of “Yerevan Jewellery Factory” jsc (EJWG) did not change, since no trades in the securities of the company were concluded in 2008.



The combined capitalization of the top five companies in 2008 stood for 99.04% of the market total, whereas in 2007 the same was 91.24%. Two of the last year's top five companies by capitalization ("Yerevan "Ararat" Cognac-Wine-Vodka Factory" jsc (YAGK), which ranked 3rd and "Yerevan Chemical-Pharmaceutical Firm" jsc (EQDF), which ranked 5th, submitted applications to leave the public market and were delisted on March 24, 2008 and May 27, 2008, respectively.

By Turnover

The highest turnover ratio (number of securities of the company traded during the report period to total number of securities issued by the company) in 2008 was observed for "Almast" jsc (ALMS) at 71.35%. Overall, while in 2007, four traded companies had turnover ratio above 10%, in 2008 only one of them could exceed this threshold. Five of the companies traded throughout the year had turnover ratio falling below 1%.

Table 5. Top 5 Companies by Turnover Ratio

Ticker	Issuer	Number of securities issued	Number of securities traded	Turnover Ratio, %
ALMS	ALMAST	418,217	298,387	71.35
ZHBKP4	ARMENIAN DEVELOPMENT BANK	237,464	13,463	5.67
ZHBK	ARMENIAN DEVELOPMENT BANK	43,717	8,325	1.05
GGMA	GEGAMA	792,685	302	0.69
ARBK	ARARATBANK	804,300	4,007	0.5

Table 6. Equities Exchange Trading Statistics, 2008

Ticker	Issuer	List	Number of Stocks Issued	Nominal Value, AMD	Number of Trades	Number of Stocks Traded	Value Traded, AMD	Last Trade Price, AMD
HEZB	ARMENIAN ECONOMY DEVELOPMENT BANK	B	933,335	2,500	16	1,579	21,932,230	13,890
ALMS	ALMAST	C	418,217	1,000	6	298,387	131,106,040	440
ARBK	ARARATBANK	C	804,300	5,000	20	4,007	36,086,000	12,200
MQER	PURE IRON PLANT	C	69,093	10,000	2	27	9,272,500	362,250
ZHBK	ARMENIAN DEVELOPMENT BANK	C	792,685	5,500	10	8,325	51,159,200	6,500
ZHBKP4	ARMENIAN DEVELOPMENT BANK	C	237,464	700	2	13,463	10,770,400	800
GGMA*	GEGAMA	C1	43,717	10,000	8	302	1,510,000	5,000
HELM*	ARMELEKTROMACHINE	C1	11,585,780	100	11	8,223	180,906	22
					75	334,313	262,017,276	

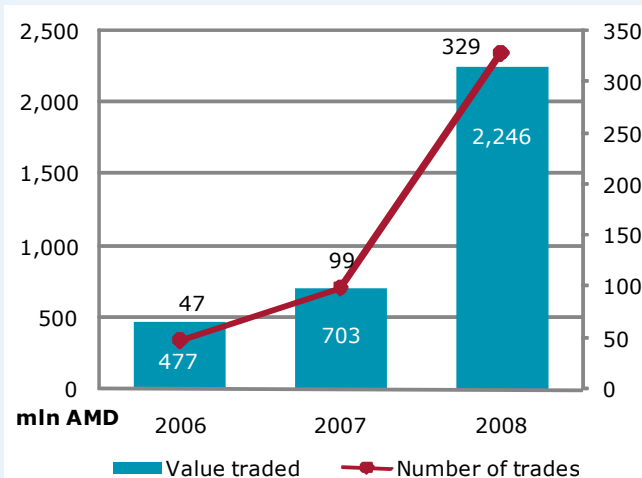
* Stocks were delisted on March 24, 2008.



Corporate Bonds

Corporate bonds market, the most developed and unprecedentedly active in 2008 exchange market, saw a three times growth in both value traded and number of trades. Compared to year 2006, when trading in corporate bonds first started, value traded and the number of trades have gone up by 4.7 and 7 times, respectively (*Figure 6*). The number of new

Figure 6. Corporate Bonds Trading at NASDAQ OMX Armenia, 2006-2008

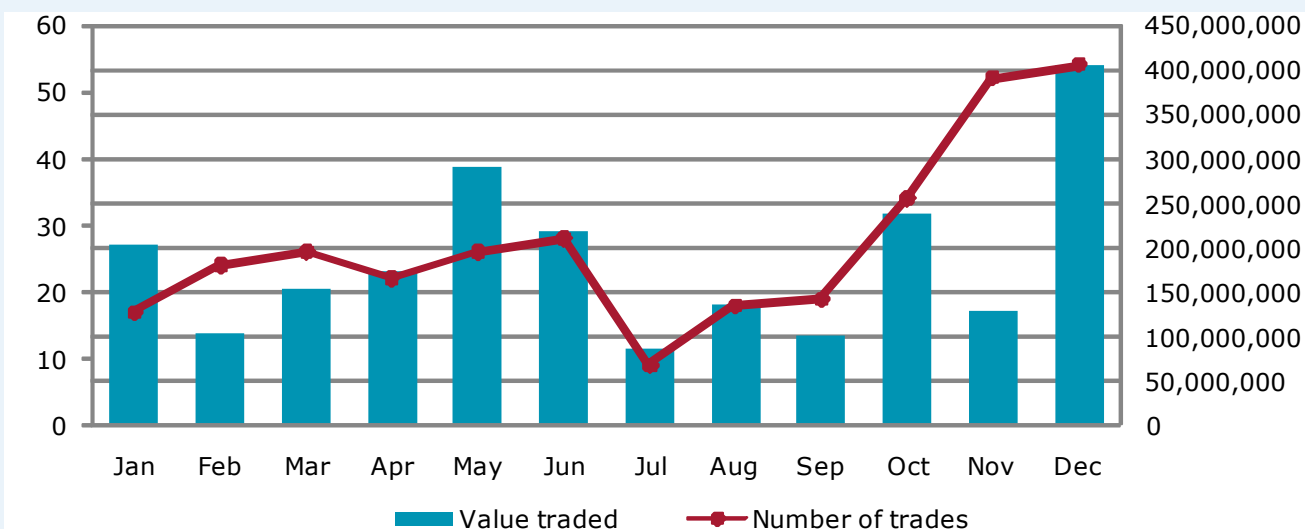


listings also saw strong growth: in 2008, twelve corporate bonds of nine issuers were listed or admitted to trading, one of which was included in the main Abond list, six in the Bbond list, and the rest five were admitted to trading on the free Cbond market for fixed income corporate securities.

During 2008, a total of 329 trades in corporate bonds were concluded for a total amount of AMD 2,245,729,672 (see *Table 7*); 401,171 corporate bonds issued by ten companies were traded (2007: 65,636 and five). Monthly breakdown of values and

number of trades in corporate bonds is presented in *Figure 7*: the both indicators reached their maximum in December (AMD 405mln and 54 trades, or 18% and 16.4% of the year's respective totals), and were lowest in July (AMD 87mln and nine trades).

Figure 7. Corporate Bonds Trading at NASDAQ OMX Armenia, 2008



The greatest annual value was traded in corporate bonds issued by "Armenian Copper Programme" cjsc (ARCPB1), which stood for more than one fifth of the total value traded in 2008, with second best being the first issue of "Valletta" LLC bonds (VALTB1) (see *Table 7*).



If, however, one considers value traded by issuer companies, "Valletta" LLC is the absolute leader with AMD 758mln of value traded in all three issues of its bonds (VALTB1, VALTB2, VALTB3), which accounts for more than one third of the total value of corporate bonds traded in 2008. "Valletta" LLC's VALTB1 is also the best by turnover ratio (number of bonds traded to number of bonds issued), which was recorded at over 100%, and by number of trades – 81, or 24.6% of the total. "Armenian Copper Programme" cjsc (ARCPB1) is a close second best with turnover ratio of 95.97% and 78 trades standing for 23.7% of the total number of trades in corporate bonds during 2008.

"Elite Group" cjsc was the first by number of bonds traded, with 266,425 of the second issue bonds (ELTGB2) and 45,773 of the first issue bonds (ELTGB1) traded during 2008 (jointly account for about 78% of the total number of corporate bonds traded). ELTGB1 and ELTGB2, however, ranked only 6th and 7th on turnover ratio.

Top five issues by value traded (ARCPB1, VALTB1, HRGAB1, ELTGB2, and VALTB2) accounted for over 75% of the total value of corporate bonds traded in 2008 (2007: 94.78%). Top five issues by number of trades (VALTB1, ARCPB1, ELTGB1, ARKBB1, and VALTB2) and by number of securities traded (ELTGB2, ELTGB1, HRGAB1, ARCPB1, and ARKBB1) stood for 77.8% and 85% of the year's total (2007: 96% and 99.96%), which evidences the increased diversification and reduced concentration in the corporate fixed income market compared to the previous year.

Table 7. Corporate Bonds Exchange Trading Statistics, 2008

Ticker	List	Issuer	Value Traded, AMD	Number of Trades	Number of Bonds Issued	Number of Bonds Traded	Turnover Ratio, %
ARCPB1	Bbond	ARMENIAN COPPER PROGRAMME	491,191,194	78	10,000	9,597	95.97
VALTB1	Bbond	VALLETTA	370,415,311	81	7,000	7,199	102.84
HRGAB1	Bbond	ARMRUSGASPROM	293,454,899	14	100,000	28,786	28.79
ELTGB2	Bbond	ELITE GROUP	271,381,825	5	868,625	266,425	30.67
VALTB2	Bbond	VALLETTA	259,227,359	32	10,000	5,034	50.34
VALTB3	Bbond	VALLETTA	128,571,493	7	10,000	2,539	25.39
ARBKB2	Abond	ARARATBANK	111,672,239	15	40,000	11,040	27.60
ARKBB1	Abond	ARARATBANK	95,553,128	30	25,000	9,480	37.92
SHNCB3	Bbond	SHEN-CONCERN	60,349,723	8	8,000	6,150	76.88
EMXGB1	Bbond	IMEX GROUP	49,865,265	5	100,000	4,900	4.90
ELTGB1	Bbond	ELITE GROUP	48,968,976	35	131,375	45,773	34.84
SHNCB2	Bbond	SHEN-CONCERN	28,708,425	5	4,000	2,890	72.25
XPKUB1	Bbond	EXPRESS CREDIT UNIVERSAL CREDIT ORGANISATION	23,187,481	7	6,000	895	14.92
HRGAB2	Abond	ARMRUSGASPROM	9,002,999	2	20,000	180	0.90
ASBKB1	Cbond	ARDSHININVESTBANK	2,500,000	2	150,000	250	0.17
TNTNB1	Bbond	TONTON	1,679,354	3	5,000	33	0.66
TOTAL			2,245,729,671	329	1,495,000	401,171	



REPO

On December 15, 2008, NASDAQ OMX Armenia launched a new market for repurchase agreements (REPO) on corporate securities. Through REPO and reverse REPO trades market participants are able to get funds against collateralized securities, and vice versa.

Table 8. REPO Trading in 2008.

Ticker	Issuer	Date	Duration (days)	Avg. Weighted Yield	Number of Trades	Value Traded, AMD
VALTB1	VALLETTA	17.12.2008	28	8.9754%	1	41,556,302

first issue of "VALLETTA" LLC bonds (VALTB1) was done on NASDAQ OMX Armenia (see Table 8), which matured and was redeemed in January 2009.

The exchange market for REPOs is still nascent, and in December, 2008, only one repo trade in the

Government Bonds

The long anticipated market for fixed income government securities was also launched on NASDAQ OMX Armenia in early 2008. Bonds issued by the Ministry of Finance and the Central Bank of the Republic of Armenia are the instruments traded in this market, which opens at 11:00 AM and closes at 15:00 PM each business day.

Though no clear growth trend was recognizable, the market was quite active during the year, with total value traded (by purchase price) reaching AMD 1.66 bln by year-end. Monthly value traded fluctuated significantly, from a minimum level in May (AMD 10,169,430, or 0.6% of the year's total) to its maximum in December (AMD 706,364,522, or 42.50% of the total). The number of trades done was 81, with maximum (28) in December. For a detailed monthly breakdown please see Figure 9.

To support liquidity in this market, Ministry of Finance of the Republic of Armenia appoints government debt management agents (primarily authorized Armenian banks) who provide simultaneous bid and ask quotes for benchmark instruments in the NASDAQ OMX Armenia exchange trading system.

Figure 8. Structure of fixed income government securities traded, 2008.

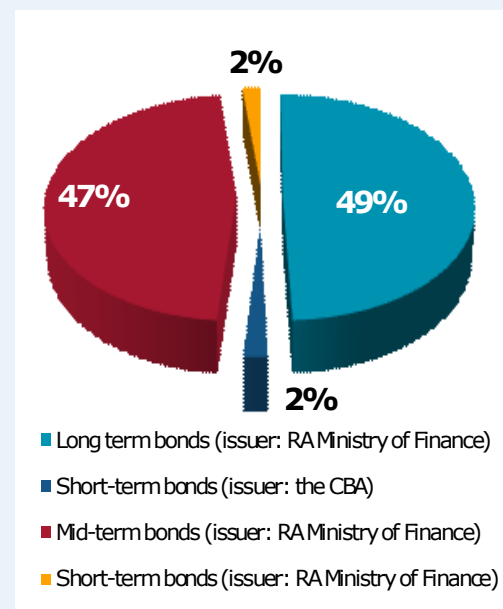
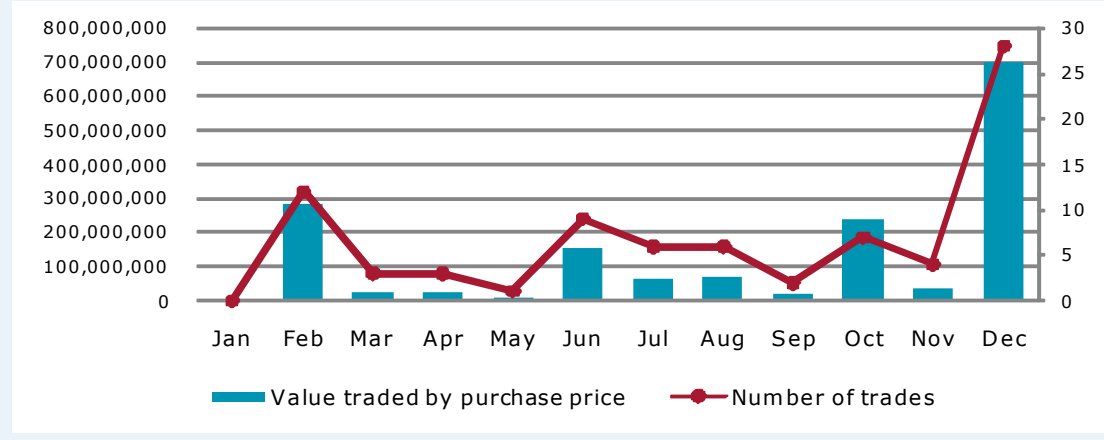


Figure 9. Government Bonds Exchange Trading Statistics, 2008.



Foreign Currency Market

Trading in NASDAQ OMX Armenia foreign currency market was evenly high throughout the year, with monthly maximum value and number of trades reaching a usual maximum by year-end, in December 2008. The total value of trading in Armenian Dram equivalent was AMD 339.5bln, an increase of 32% over the last year's figure, even though the value of Euro traded was nearly eight times less than in 2007 (see *Figures 10.1 and 10.2*).

A total of 8,993 trades was concluded, 8,981 of them (99.9% of the total number) in US Dollars for USD 1.11bln and 12 in Euros for EUR 705,000. Deals in Euro were only concluded in February, March, April, September, and October, while US Dollar was traded all throughout the year. As compared to the previous year, number of trades in Euro rose by 50%, and that in US Dollars by 44,41% (for detailed statistics see *Table 9 and Figures 11.1 and 11.2*).

Figure 10.1. Value Traded and Number of Trades in USD, 2005-2008

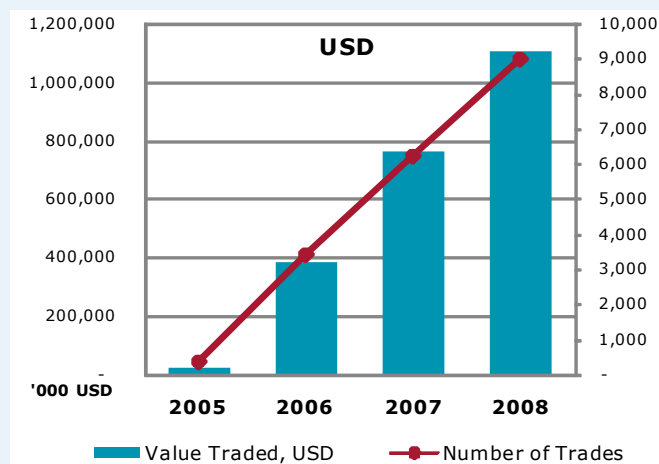


Figure 10.2. Value Traded and Number of Trades in EUR, 2005-2008

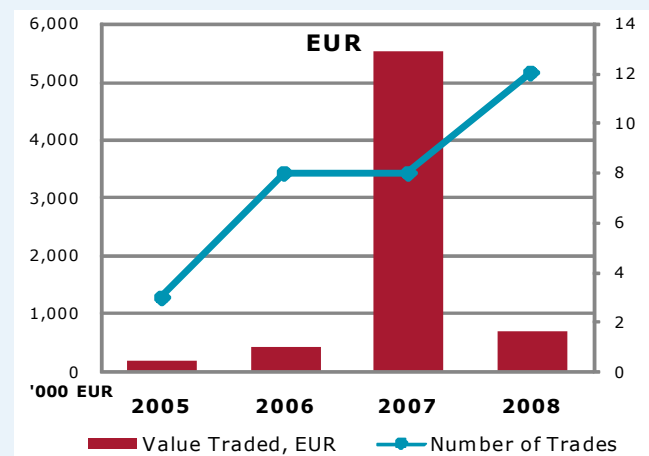


Figure 11.1. US Dollar Trading at NASDAQ OMX Armenia, 2008

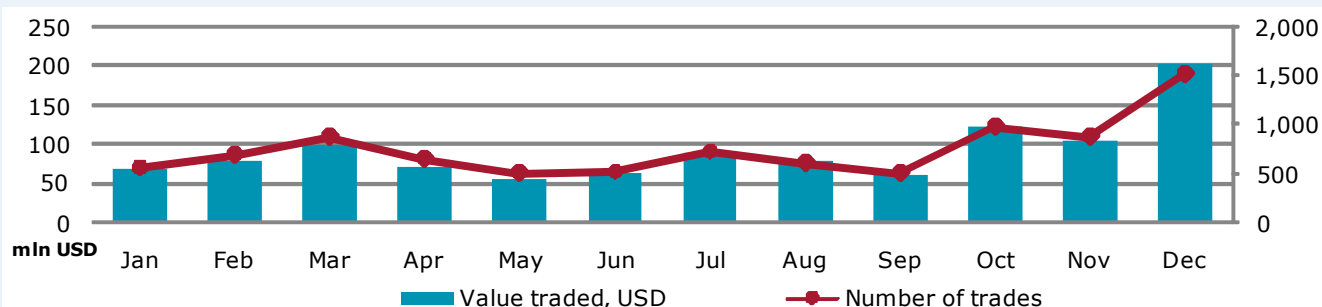
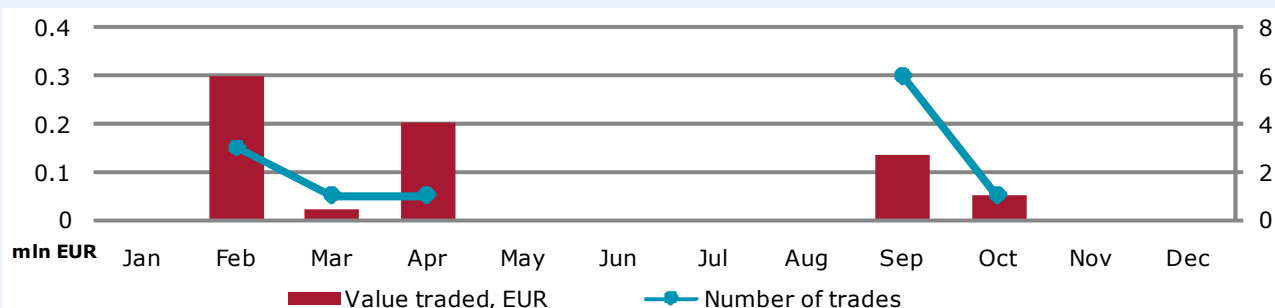


Figure 11.2. Euro Trading at NASDAQ OMX Armenia, 2008



The average size of one trade in US Dollar and Euro was USD 123,112 and EUR 58,750 (2007: USD 122,799, EUR 691,625). Considering the number of trading days in 2008, the average daily volume traded on NASDAQ OMX Armenia currency market was AMD 1.34bln (2007: AMD 1.02bln).

Currency exchange rates did not fluctuate significantly during the year: the difference between year's high and low prices for US Dollar did not exceed AMD 10.5, or around 3.5%

Figure 12.1. USD Exchange Rate on a Monthly Basis, 2008

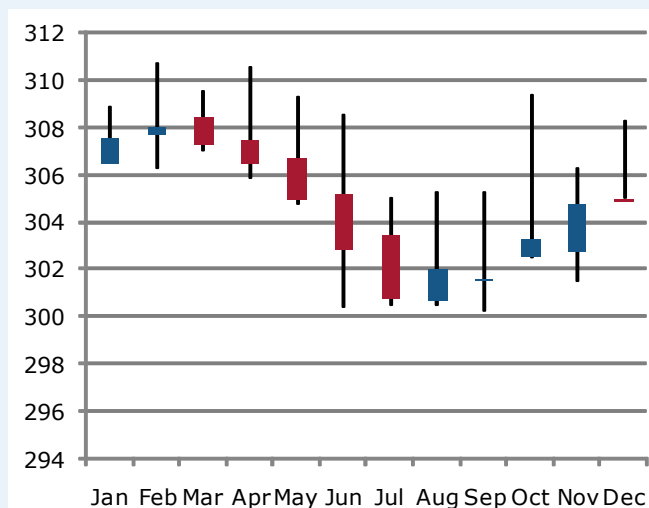
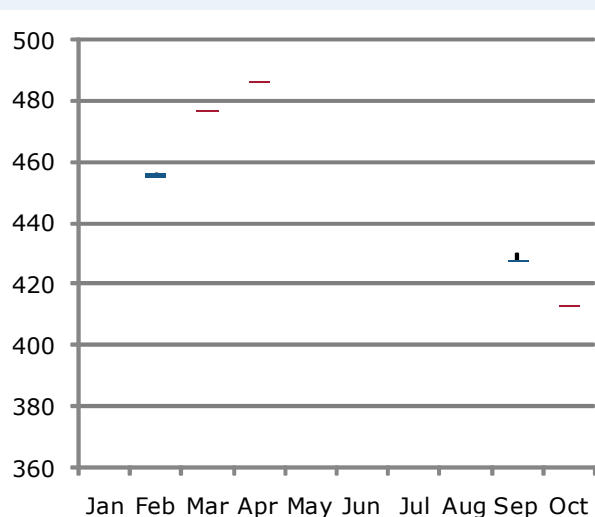


Figure 12.2. EUR Exchange Rate on a Monthly Basis, 2008



of the year's weighted average; the same for Euro was AMD 73.1, or around 16% of the year's weighted average. The highest weighted average price for US Dollar was observed in April 2008, the lowest – in July 2008, with variance of AMD 7.26 between them. The highest weighted average for Euro occurred in March 2008, the lowest – in October 2008, with variance making AMD 63.55. Overall, compared to the open price of the first trading day of 2008 and the close price of the last trading day, US Dollar depreciated by 0.49%. Euro was last traded on October 15, 2008 and closed at 13.2% lower than its open price for its first trading session in 2008 on February 15. To get a picture of exchange rate changes on a monthly basis, please refer to candlestick charts in *Figures 12.1* and *12.2*.

Table 9. Currency Exchange Trading Statistics, 2008

Month	ISO	Price High	Price Low	Price Wgtd Avg.	Close Price	Num-ber of Trades	Value Traded, currency	Value Traded, AMD
January	EUR	-	-	-	-	-	-	-
	USD	304.00	308.86	306.99	307.53	555	68,400,000	20,997,918,328
February	EUR	455.00	456.00	455.33	456.00	3	300,000	136,600,000
	USD	306.25	310.70	308.87	308.10	688	78,651,000	24,293,151,412
March	EUR	477.00	477.00	477.00	477.00	1	20,000	9,540,000
	USD	307.00	309.50	308.82	307.30	871	100,606,000	31,069,405,486
April	EUR	486.53	486.53	486.53	486.53	1	200,000	97,306,000
	USD	305.85	310.50	309.18	306.47	645	72,603,000	22,447,199,817
May	EUR	-	-	-	-	-	-	-
	USD	304.75	309.25	307.17	305.00	500	57,139,000	17,551,416,039
June	EUR	-	-	-	-	-	-	-
	USD	300.40	308.50	303.94	302.88	513	64,889,000	19,722,602,581
July	EUR	-	-	-	-	-	-	-
	USD	300.50	305.00	301.92	300.80	720	89,202,000	26,931,522,244
August	EUR	-	-	-	-	-	-	-
	USD	300.50	305.30	302.01	302.00	613	79,536,000	24,020,451,182
September	EUR	428.00	429.50	428.44	428.25	6	135,000	57,838,750
	USD	300.25	305.25	302.14	301.61	509	60,915,000	18,404,967,432
October	EUR	413.45	413.45	413.45	413.45	1	50,000	20,672,500
	USD	302.50	309.35	307.1	303.30	974	123,128,000	37,801,357,127
November	EUR	-	-	-	-	-	-	-
	USD	301.50	306.30	304.99	304.83	874	106,677,000	32,535,869,982
December	EUR	-	-	-	-	-	-	-
	USD	305.00	308.30	307.70	305.00	1519	203,926,000	62,689,579,366
Total	EUR					12	705,000	321,957,250
	USD					8,981	1,105,672,000	338,465,440,996

As mentioned in the opening part of the review, in March 2009, the Central Bank of Armenia announced its decision on returning to a floating rate policy, and on March 3, 2009, US Dollar appreciated by over 20% against the Armenian Dram. As of the end of the first quarter of 2009, stock exchange close price for US Dollar was AMD 371. Euro was not traded on the exchange after the freeing of currency rates; the official CBA rate at March 31, 2009 was AMD 487.99 for one Euro.

Depository Activities Summary 2008

Like “Armenian Stock Exchange” jsc later renamed “NASDAQ OMX Armenia” jsc, “Central Depository of Armenia” jsc (CDA) is also a part of the NASDAQ OMX Group, Inc. The CDA provides depository and custodian services and acts as the clearing and settlement agent for exchange and over-the counter transactions in the capital market. Therefore, for the most part of its business, the depository shares the same value chain with the stock exchange, and the two companies work closely under NASDAQ OMX brand to maximize market efficiency and customer satisfaction.

CDA provides services to both individuals and corporate entities, including securities issuers and investment service providers. Services to individuals comprise primarily opening and maintenance of securities accounts for registered security holders. Services to corporate customers include shareholders registry keeping (for securities issuers) and custodian services (for licensed investment companies). CDA is the entity responsible for transfer of securities from one owner to another as a result of securities buying and selling transactions done by stock exchange members. Therefore, as a market infrastructure institution the central depository has a key role to play in protecting the lawful rights of owners of securities, including minority shareholders.

This section of the Report contains review of CDA activities in 2008.

Table 10. Armenian Capital Market Trading Statistics (Traded on the Exchange and Over-The-Counter (OTC), 2008

Month	Trading in listed shares				Trading in listed corporate bonds				Repo Trading in corporate bonds (OTC only)	
	Number of trades		Value traded		Number of trades		Value traded		Number of trades	Value traded
	Exch.	OTC	Exchange	OTC	Exch.	OTC	Exchange	OTC		
Jan	22	2	26,819,406	140,000	17	-	202,649,009	-	6	103,300,000
Feb	8	3	32,428,040	5,995,500	24	2	104,683,900	6,005,300	3	95,100,000
Mar	2	-	20,385,800	-	26	1	154,580,485	3,144,816	1	4,670,197
Apr	1	1	3,250,000	536,000	22	-	174,487,270	-	9	740,700,790
May	2	1	2,054,400	32,500	26	-	291,770,343	-	9	410,000,000
Jun	3	-	3,389,800	-	28	-	219,263,916	-	7	310,000,000
Jul	1	-	1,117,800	-	9	-	87,287,197	-	10	440,000,000
Aug	2	-	515,000	-	18	2	136,661,048	767,457	16	680,000,000
Sep	1	1	481,000	105,000	19	1	102,562,618	50,000,000	9	530,000,000
Oct	12	-	28,321,000	-	34	-	237,476,434	-	34	2,075,000,000
Nov	4	-	4,500,000	-	52	-	128,937,687	-	31	1,550,000,000
Dec	17	-	138,755,030	-	57	-	405,369,763	-	35	2,488,100,000
Total 2008	75	8	262,017,276	6,809,000	329	6	2,245,729,671	59,917,573	170	9,426,870,987

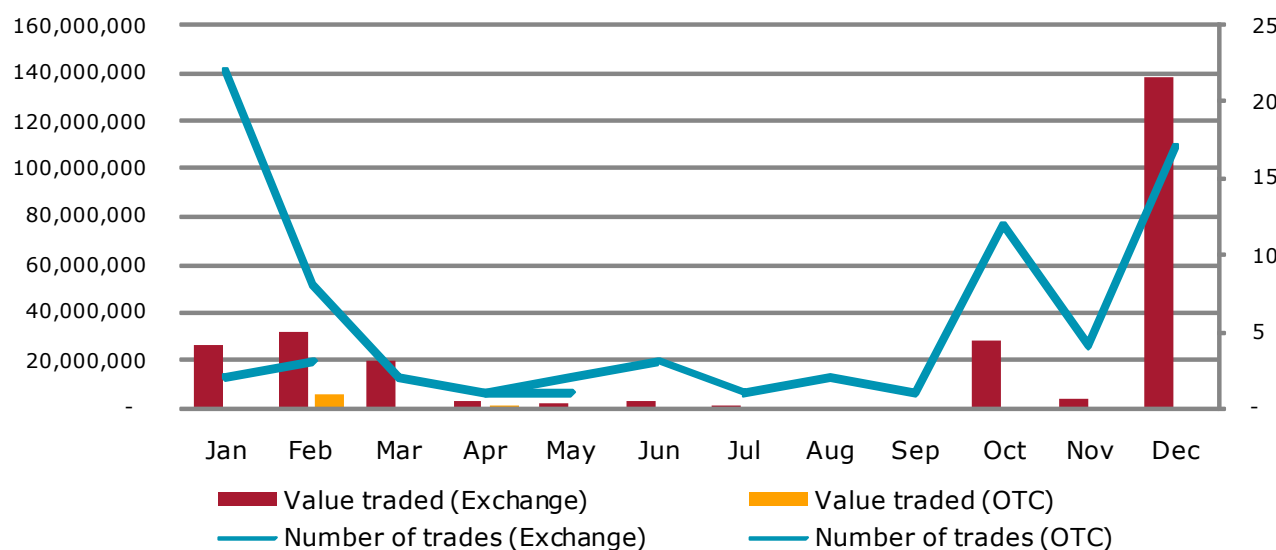


During 2008, CDA opened 2,702 new personal securities accounts for registered security holders, reaching a total of 153,890 in securities accounts maintained as of December 31, 2008. The number of newly opened securities accounts in 2007 was 1,194, so the growth rate increased nearly 2.3 times.

By the end of the year, 1,201 companies, mostly open joint stock companies, had their shareholders registries kept with the CDA (December 31, 2007: 733). The number of new customers attracted in 2008 was almost nine times higher than the same for the previous year, reflecting a strong sales effort in this area by the CDA team during the year.

In 2008, total value of AMD 77,349,645,225 was traded in equities through 1,908 exchange and OTC transactions, including AMD 268,826,276 (or 0.35% of total) in listed stocks. Exchange trades in listed stocks made 97.47% of overall trading in listed equities, while the remaining 2.53% was traded OTC.

Figure 13. Trading in Listed Stocks, 2008

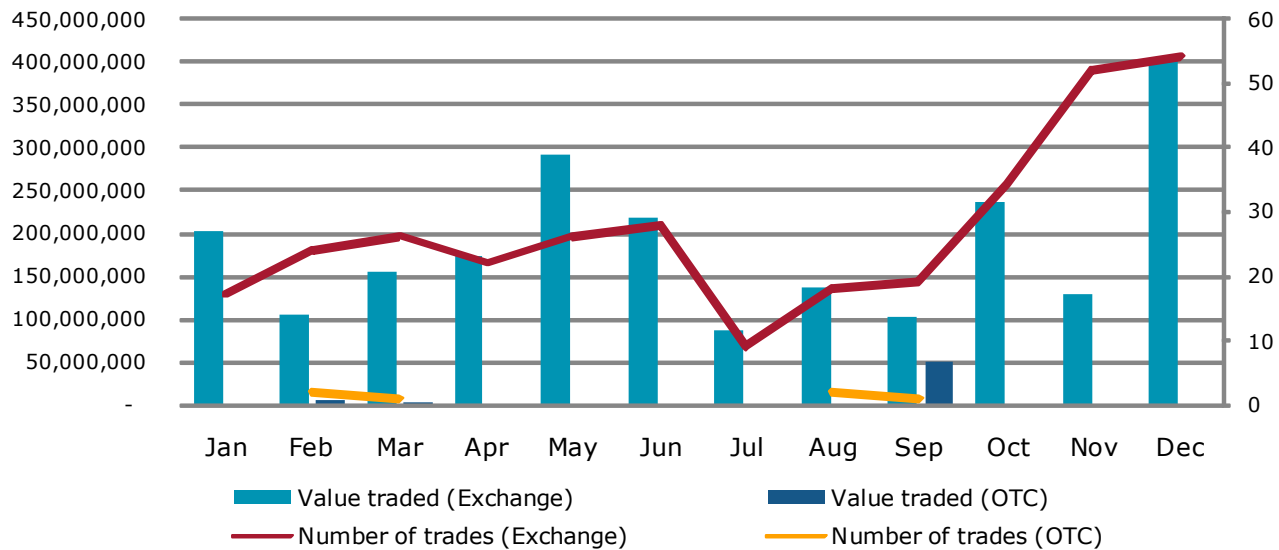


Compared to 2007, total value of equities traded in both the exchange and OTC market reduced by nearly 7%, and the number of trades by 41%. Note has to be made of the fact, however, that while the share of OTC trading in listed equities in 2007 exceeded 86% of the total value of OTC trading, in 2008, it stood at just around 0.9%.

Total value traded in corporate bonds was AMD 2,978,864,986, including AMD 2,305,647,244 (or 77.40% of total) in listed corporate bonds. Exchange trades in listed corporate bonds made 97.4% of total amount traded, while the remaining value was traded OTC. The number of trades was 354, 93% of which was exchange trades. Compared to 2007, total value of corporate bonds traded on the exchange and OTC grew more than

15 times, while the number of trades nearly three times. Again, the share of OTC trades in listed corporate bonds in the total value traded OTC went down significantly, from 68% to 2%.

Figure 14. Trading in Listed Corporate Bonds, 2008



Since October 2008, no OTC trades were done in listed securities. For a more detailed statistics on exchange and OTC trading, as well as transactions with repurchase agreements (REPO) please refer to *Table 10*. As seen in the table, value of OTC REPO trades was quite substantial at around AMD 9.5bln, which reflects the development potential for the exchange REPO market launched by NASDAQ OMX Armenia in December 2008.

Other business at the CDA in 2008 included services rendered to companies in respect to securities placements for a total nominal amount of AMD 181.8bln; services regarding conversion, consolidation, and splitting of securities with nominal value of AMD 29bln; blockage of securities for exchange and OTC trading for nearly AMD 61bln.



NASDAQ OMX Armenia Members, A-Z (as of March 31, 2009)

ACBA-CREDIT AGRICOLE BANK CJSC

Byron str. 1, Yerevan
Tel:(374 10) 565 858, 568 585
Fax:(374 10) 543 485
acba@acba.am
www.acba.am

ARMENIAN DEVELOPMENT BANK JSC

21/1 Paronyan str., Yerevan
Tel:(374 10) 591 400
Fax:(374 10) 591 405
info@armdb.com

HSBC BANK ARMENIA CJSC

66 Teryan Str., Yerevan
Tel: (374 10) 515 000
Fax: (374 10) 515 009
hsbc.armenia@hsbc.com
www.hsbc.am

AMERIABANK CJSC

V.Sargsyan Str. 2, Yerevan
Tel:(374 10) 561 111, 589 906
Fax:(374 10) 565 958, 565 333
office@ameriabank.am
www.ameriabank.am

ARMENIAN ECONOMY DEVELOPMENT BANK JSC

23/1 Amiryan str., Yerevan
Tel: (374 10) 563 332, 538 695
Fax: (374 10) 538 904
bank@aeb.am
www.aeb.am

INECOBANK CJSC

17 Tumanyan str., Yerevan
Tel:(374 10) 545 167, 565 974
Fax: (374 10) 565 974
inecobank@inecobank.am
www.inecobank.am

AMERIA INVEST CJSC

6 Baghramyan Ave., Suite 2
Yerevan
Tel:(374 10) 524 040
Fax:(374 10) 546 800
ib@ameria.am

ARMSWISSBANK CJSC

13/2 Khanjyan str., Yerevan
Tel:(374 10) 529 593, 584 419
Fax:(374 10) 516 592
info@armswissbank.am
www.armswissbank.am

PROCREDITBANK CJSC

105/1 Teryan str. Citadel
Business Center, 7th floor,
Yerevan
Tel:(374 10) 514 867
Fax:(374 10) 514 853
info@procreditbank.am
www.procreditbank.am

ANELIK BANK CJSC

75 Marshal Baghramyan Ave.,
Yerevan
Tel:(374 10) 227 206
Fax:(374 10) 226 581
anelik@anelik.am
www.anelik.am

ARTSAKHBANK CJSC

25 Knunyantsneri str.,
Stepanakert
Tel:(374 71) 4 3412, 5 2705
Fax:(374 71) 7 1249
artsakhsbank@ktsurf.net
www.artsakhsbank.am
www.artsakhsbank.com

PROMETHEY BANK LLC

44.2 Hanrapetutyan str.,
Yerevan
Tel:(374 10) 562 036
Fax:(374 10) 545 719
info@prometheybank.am
www.prometheybank.am

ARARATBANK JSC

19 Pushkin str., Yerevan
Tel:(374 10) 547 935
Fax:(374 10) 547 936
araratbank@araratbank.am
www.araratbank.am

BTA BANK JSC

Vardanants str. 13, Yerevan
Tel:(374 10) 544 527
Fax:(374 10) 544 527
bta@bta.am
www.bta.am

RENESA CJSC

16 Vardanants str., Yerevan
Tel:(374 10) 548 383, 548 387
Fax:(374 10) 548 383
renesa@rencom.am

ARDSHININVESTBANK CJSC

13, 13/1 Grigor Lusavorich str.,
Yerevan
Tel:(374 10) 540 404
Fax:(374 10) 567 486
office@ashib.am
www.ashib.com

CAPITAL ASSET MANAGEMENT CJSC

Office 14, Amiryan str. 27,
Yerevan
Tel:(374 10) 501 526, 501 527
Fax:(374 10) 541 528
mail@capital.com.am
www.capital.com.am

TONTON INVESTMENT CJSC

2 Deghatan Str.
Yerevan
Tel:(374 10) 584 614
Fax:(374 10) 545 477
info@tontoninvest.com



AREXIMBANK CJSC

12 Mher Mkrtchyan Str.,
Yerevan
Tel:(374 10) 544 387, 587 662
Fax:(374 10) 520 995
info@areximbank.am
www.areximbank.am

CASCADE INVESTMENTS CJSC

6 Deghatan str., Yerevan
Tel:(374 10) 520 432
Fax:(374 10) 583 089
info@cascadeinvmts.com
www.cascadeinvmts.com

UNIBANK CJSC

39 Hanrapetutyan str., Yerevan
Tel: (374 10) 521 532
Fax: (374 10) 567 046
unibank@unibank-armenia.com
www.unibank-armenia.com

ARMBUSINESSBANK CJSC

Nalbandyan str. 48, 0010
Yerevan
Tel: (374 10) 540 502, 542 710
Fax: (374 10) 545 835
info@armbusinessbank.am
www.armbusinessbank.am

CONVERSE BANK CJSC

26/1 V.Sargsyan Str.
Yerevan
Tel:(374 10) 511 206, 511 248
Fax:(374 10) 511 212
dealing@conversebank.am
www.conversebank.am

VTB BANK (ARMENIA) CJSC

Nalbandyan str. 46, Yerevan
Tel: (374 10) 547 245, 583 594
Fax: (374 10) 547 245
info@vtb.ru
www.vtb.am

ARMENBROK CJSC

32/01 Tirgan Mets str., Yerevan
Tel:(374 10) 538 700
Fax:(374 10) 528 986
info@armenbrok.com
www.armenbrok.com

FUTURE CAPITAL MARKET LLC

31a/5 Baghramyan str., apt. 20,
Yerevan
Tel:(374 10) 273 357,
(374 93) 490 919
Fax:(374 10) 273 357
fcm_company@yahoo.com,
general@fcm.am
www.fcm.am

