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Abbreviations

Amendments

In the section “Subject was added the word “Procedure”. In the section “Sphere of Implementation” was added “ISO 9001:2008”. Last two sentences of point 2.1 were deleted. Values of Annex 1 “Tender Evaluation Criteria” of point “Time framework for check and submission of audit opinion, with the following grades” have been amended.

Appendixes


Tender Evaluation Criteria	Appendix 1
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1. General provisions

- 1.1 .This Procedure specifies the below terms of selection of independent auditor to conduct annual check of financial-economic activity of **the Bank**.
 - a) **The Bank** applies the competition-based model for selection of independent auditor.
 - b) The procedure and terms are set forth herein, of organization and summing-up of the results of the tender.
 - c) The requirements to and criteria for selection of, independent auditors are set forth herein.
 - d) The method is specified herein of evaluation of independent auditors’ tender bids.
- 1.2 . **The Bank** selects independent auditor in compliance with the RA Laws “On Banks and Banking”, “On Auditing”, “On Public Negotiations”, as well as other laws and acts applicable to audit-related activity.

2. Competition-based selection of independent auditor

- 2.1. In order to organize a tender for independent auditors, **the Bank** creates a Commission comprised of at least 3 members.
- 2.2. The Tender Notice approves the text of the public notice on the tender, opens and evaluates tender bids, and, declares the winner.
- 2.3. The Tender Notice adopts its decision through simple majority of votes.
- 2.4. The Tender Notice issues a public notice on the tender at least 30 days in advance. The notice may contain the following information:
 - Name of **the Bank**
 - Address of **the Bank**
 - Application deadline
 - Tender terms
 - List of documents required for participation in the tender
 - Procedure of selecting the winner
 - Amount, procedure and terms /upon necessity/ of payment of participation advance

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- Day and time of opening and summing-up of proposals

3. Terms of the tender

3.1. Pursuant to the requirements of **the Bank**, the proposal submitted by auditor should be comprised of two packages:

- Technical aspect
- Financial aspect

3.2. Technical package should cover:

- Recognition within and outside the RA
- Notice on no complaints and negative feedback whatsoever regarding the quality of audit, received from the organizations audited by the company
- Names and contacts of 5 organizations audited by the company
- Experience in auditing
- Qualification and experience of audit team, particularly their expertise in audit of banks
- Availability of qualification and professional development certificates
- Methods of audit
- Time framework for check and submission of audit opinion
- Ability to work independently during audit
- Usefulness and effectiveness of audit in audited organizations having problems with tax, bank and other authorities (number of suits won; types of problems)

3.3. For the above standards, **the Bank** each year specifies evaluation grades. During the selection process, preference is given to the organization to have scored maximum total grade.

3.4. If the proposals contained in the Technical package meet the technical requirements of **the Bank**, the second (financial) package is opened, otherwise, the proposal is considered rejected.

3.5. Financial package should cover:

- Cost of audit, including taxes
- Other expenses

3.6. Similar to technical criteria, **the Bank** each year specifies evaluation grades for financial standards. During the selection process, preference is given to the organization to have scored maximum total grade.

3.7. When evaluating financial standards **the Bank** gives maximum points to the proposal of the company offering the lowest price.


3.8. The Bank selects the organization to have scored maximum points after evaluation of compliance both with technical and financial standards.

3.9. When selecting independent auditor **the Bank** considers the history of relationship between the company and the Bank, particularly the quality of previous audits.

4. Documents required for participation

4.1. To participate in the tender, auditors should submit the following set of documents:

- Copy of state registration certificate
- Copy of license issued by the relevant state authority

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- Reference on indicators specified in point 4 of Clause 12 of the RA Law “On Auditing”
 - Copies of international accounting qualification certificates issued for audit team by ACCA, CPA or similar organizations
 - Latest statement on tax inspection of the financial-economic activity of independent auditor
 - Latest annual financial reports certified by tax authority
- 4.2. Only organizations submitting the complete and adequate package of the above documents are allowed to participation in the tender.

5. Submission terms

- 5.1. **The Bank** accepts the bids of organizations expressing wish to participate in the tender, before 16.00 of the last but three days preceding the tender.
- 5.2. Bids should be submitted to “Converse Bank” CJSC Head Office, 26/1 V. Sargsyan, Yerevan, Armenia.
- 5.3. Before closing date tender participants may recall or alter their bids.
- 5.4. Proposals may be submitted by participant representatives in person or through registered mail.

6. Opening of bids and summing-up of results


- 6.1. On the day and time specified in the public notice, tender proposals are opened at the Tender Notice sitting.
- 6.2. The following information is disclosed at the bid opening session:
 - Name of each participant
 - Compliance of bids with the requirements set forth in the public notice issued by **the Bank**
 - Summary on bid alteration cases
- 6.3. Tender participants or their representatives are admitted to the bid opening and summing-up sitting.
- 6.4. On the day of bid summing-up, the Tender Notice drafts minutes on the results of the tender pursuant to the Tender Evaluation Criteria (Appendix 1), wherein the following data are indicated:
 - Place, date and, time of opening and summing-up of bids
 - Full names of the Tender Notice members
 - Name of the winner
 - Special attitude of each member of the Tender Notice
- 6.5. On the same day after summing up the results of the tender **the Bank** and winner organization sign the minutes on the results of the tender.

7. Invalid tender

- 7.1. The Tender Notice considers the tender invalid if no bids have been submitted;
 - None of the submitted bids meet the requirements specified in the public notice.


10. Second and subsequent tenders

- 10.1. Not later than within 10 days after invalid tender **the Bank** organizes a second one.

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10.2. At least 6 days in advance of the second and each subsequent tender **the Bank** issues a public notice.

10.3. Maximum allowed number of public notices by **the Bank** is 4.

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The tender for selection of independent auditor is evaluated basing on the below criteria.

Points for technical standards

- Recognition within and outside the RA, with the following grades:
 - Only in Yerevan 0.5 points
 - Only within the RA (no rating) 1 point
 - Abroad (without rating) 2 points
 - Ranked among the top 10 organizations with International rating 3 points


- Notice on no complaints and negative feedback whatsoever regarding the quality of audit, received from the organizations audited by the company, with the following grades:
 - Complaints and negative feedback 0 points
 - Observations 1 point
 - No feedback 2 points
 - No negative feedback 3 points

- Names and contacts of up to 10 organizations audited by the company, with the following grades:
 - 1-5 companies 1 point
 - 6-8 companies 2 points
 - 9-10 companies 3 points

- Experience in auditing, with the following grades:
 - Up to 3 years 0.1 points
 - 3-5 years 1 point
 - 5-7 years 1.5 points
 - 7-10 years 2 points
 - Over 10 years 3 points

- Qualification and experience of audit team, particularly their expertise in audit of banks, with the following grades:
 - Up to 3 years 0.1 points
 - 3-5 years 1 point
 - 5-7 years 1.5 points
 - 7-10 years 2 points
 - Over 10 years 3 points

- Availability of qualification and professional development certificates, with the following grades:
 - Qualified and developed within the RA 1 point
 - Qualified and developed abroad 1.5 points

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Qualified and developed within the RA and abroad 3 points


- Methods of audit, with the following grades:
 - Methods implemented within the RA 1 point
 - Methods implemented abroad 1.5 points
 - Methods implemented within the RA and abroad 3 points

- Time framework for check and submission of audit opinion, with the following grades:
 - Within 20-30 days 1 point
 - Within 15-20 2 points
 - Within up to 15 days 3 points

- Ability to work independently during audit, with the following grades:
 - In concert with Bank employee (dependent) 0.5 points
 - In concert with Bank employee from time to time (semi-dependent) 1.2 points
 - Without Bank employee participation (independent) 3 points

- Usefulness and effectiveness of audit in audited organizations having problems with tax, bank and other authorities (number of suits won; types of problems), with the following grades
 - For inertness in solution of problems with state bodies 0 points
 - For advising in solution of problems with state bodies 1 point
 - For equaling the bank’s interests to those of its own, bearing responsibility in solution of problems with state bodies 3 points
 - Failing to clarify solution-related issues in problem cases after audit 0 points
 - Identification of options for addressing problem cases after audit 1 point
 - Identification of options for addressing and elimination of, problem cases after audit 3 points

- History of relationship between the company and the Bank, particularly the quality of previous audits, with the following grades:
 - Complaints and negative feedback 0 points
 - Observations 1 point
 - No negative feedback 3 points

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Points for financial standards

- Cost of audit, including taxes, with the following grades:
 - AMD 14.000.000 and more 1 point
 - AMD 12.000.000-14.000.000 2 points
 - Up to AMD 12.000.000 3 points

- Other expenses, with the following grades:
 - Use of Bank fixed assets valued at AMD 10000 and more 1 point

 - Use of Bank fixed assets valued at AMD 4000-10000 2 points

 - Use of Bank fixed assets valued at up to AMD 4000 3 points