

## ПРОСПЕКТ ЦЕННЫХ БУМАГ ИНОСТРАННОГО ЭМИТЕНТА

ОТКРЫТОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО "ЮНИБАНК"

(полное фирменное наименование эмитента (эмитента представляемых ценных бумаг))

Именные, купонные, бездокументарные, неконвертируемые облигации, серия 1, 2019,  
ISIN – AMUNIBB2AER2

(вид, категория (тип), форма ценных бумаг, ISIN и их иные идентификационные признаки)

100 (сто) долларов США, 10 000 (десять тысяч) штук, погашение - 15.11.2022

(номинальная стоимость (если имеется) и количество ценных бумаг, для облигаций также указывается срок погашения)

Информация, содержащаяся в настоящем проспекте ценных бумаг, подлежит раскрытию в соответствии с законодательством Российской Федерации о ценных бумагах

Настоящим подтверждается достоверность и полнота всей информации, содержащейся в проспекте ценных бумаг.

ОТКРЫТОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО "ЮНИБАНК"

(полное фирменное наименование эмитента (эмитента представляемых ценных бумаг), подписывающего проспект ценных бумаг иностранного эмитента)

Председатель Правления ОАО Юнибанк

(наименование должности руководителя или иного лица, подписывающего проспект ценных бумаг от имени эмитента (эмитента представляемых ценных бумаг), название и реквизиты документа, на основании которого иному лицу предоставлено право подписывать проспект ценных бумаг от имени эмитента (эмитента представляемых ценных бумаг))

(подпись)  
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Дата «17» июля 2020 г.





Программный Проспект облигаций  
«ЮНИБАНК»

ОТКРЫТОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО

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**“РЕГИСТРАЦИЯ ПРОСПЕКТА ЦЕНТРАЛЬНЫМ БАНКОМ АРМЕНИИ НЕ ЗАВЕРЯЕТ  
ОБЕСПЕЧЕНИЕ ИНВЕСТИЦИИ, ДОСТОВЕРНОСТЬ ИЛИ ПОДЛИННОСТЬ  
ПРЕДСТАВЛЕННОЙ ИНФОРМАЦИИ”.**

Класс ценной бумаги	Именные, неконвертируемые, купонные облигации
Количество выпущенных ценных бумаг	200,000 штук в долларах США, 300,000 штук в драмах РА
Форма ценной бумаги	Бездокументарные
Номинальная стоимость единицы (валюта)	100 USD, 10,000 драм РА
Общая номинальная стоимость	20,000,000 в долларах США, 3,000,000,000 драм РА
Купонная ставка	Подлежит решению Совета Эмитента
Срок обращения	Подлежит решению Совета Эмитента
Периодичность выплаты купонов	Подлежит решению Совета Эмитента

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## ОТВЕТСТВЕННЫЕ ЛИЦА

“Мы, нижеподписавшиеся, заверяем, что приложили все возможные усилия для выяснения достоверности и целостности всех сведений, включенных в Проспект. Следовательно, мы заверяем, что исходя из имеющейся осведомленности, включенные в Проспект сведения являются достоверными и целостными, не содержат упущений, которые могут исказить содержание Проспекта”.

### Подписанты

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## ОТДЕЛ 1. РЕЗЮМЕ

### Уведомление инвестору

Резюме рассматривается в качестве вводного краткого описания Проспекта. Для того, чтобы принять решение инвестировать в предлагаемые облигации, инвестор должен прочитать весь Проспект.

Лица, ответственные за составление настоящего Резюме, несут гражданскую ответственность за нецелостность или искажение информации, включенной в Резюме, если при рассмотрении с остальными частями Проспекта информация неполная или дезориентирующая.

Инвестор может приобрести бумажную копию Программного проспекта, и его дополнения можно получить в центральном офисе банка или в его филиалах, а электронную версию на официальном сайте Банка [www.unibank.am](http://www.unibank.am).

### 1.1 Краткая информация об эмитенте и его деятельности

#### 1.1.1 Данные и контакты эмитента

Полное фирменное наименование Банка

**на армянском** «ՅՈՒՆԻԲԱՆԿ» ԲԱԶ ԲԱԺՆԵՏԻՐԱԿԱՆ ԸՆԿԵՐՈՒԹՅՈՒՆ

**на русском** ОТКРЫТОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО "ЮНИБАНК"

**на английском** "UNIBANK" OPEN JOINT STOCK COMPANY"

Сокращенное фирменное наименование Банка

**на армянском** «ՅՈՒՆԻԲԱՆԿ» ԲԲԸ

**на русском** ОАО "ЮНИБАНК"

**на английском** "UNIBANK" OJSC

Местонахождение Банка: РА, г. Ереван, община Кентрон, улица Чаренца, дом 12, №53, №1-5.

Почтовый адрес Банка: 0025, РА, г. Ереван, община Кентрон, улица Чаренца, дом 12, №53, №1-5.

Средства связи

Телефон + 37410 59 22 59

Факс + 37410 55 51 40

Эл. почта [unibank@unibank.am](mailto:unibank@unibank.am)

Интернет сайт [www.unibank.am](http://www.unibank.am), [www.unibank-armenia.com](http://www.unibank-armenia.com)

В случае вопросов относительно инвестирования в предлагаемые облигации инвесторы могут связаться с М. Амбарцумян –начальником Управления по развитию отношений с инвесторами и с международными финансовыми организациями по номеру телефона +374 10 592236 (внутренний 301):

### 1.1.2. Краткое описание и стратегия эмитента

ОАО Юнибанк (отныне «Банк» или «Юнибанк») был основан в октябре 2001 года как закрытое акционерное общество. В качестве банка Юнибанк был зарегистрирован 09.10.2001г. (Свидетельство о регистрации № 0373 и Лицензия о банковской деятельности № 81 от 10.10.2001г, утвержденная решением Совета Центрального Банка РА N260 от 09.10.2001 года). По решению годового Общего Собрания акционеров от 12 марта 2015 года, Банк был реорганизован, и сейчас организационно-правовая форма Банка является открытым акционерным обществом.

В 2002 году Юнибанк задействовал международную систему денежных переводов Unistream, которая является одной из передовых в Армении в сфере денежных переводов.

В 2003 году Юнибанк получил членство в платежной системе «ArCa».

В 2004 году Юнибанк получил членство в международной платежной системе Visa.

В 2005 году банк начал активную выдачу ипотечных кредитов и автокредитов, с выходом, соответственно, на второе и первое места в Армении.<sup>1</sup>

В 2006 году банк стал участником в Программе IFAD (Международный фонд сельскохозяйственного развития), а также в Программе развития малых и средних предприятий (SMEDNC).

В 2007 году банк запустил программу управления по рискам совместно с ABN AMRO BANK.

В 2008 году банк получил членство в фондовой бирже РА. Юнибанк задействовал серверную группу типа Blade, тем самым в Банке был внедрен международный опыт применения современных технологий.

В 2009 году филиальная сеть Юнибанка была подключена к главной базе данных, и сегодня все филиалы Банка работают в режиме online.

В 2010 году банк получил рейтинг от Международного рейтингового агентства Moody's – финансовая устойчивость E+, долгосрочный рейтинг Ba3, прогноз стабильный.

В 2011 году банк принял участие в Программе финансирования торговли Азиатского банка развития, в рамках которой предпринимателям были предоставлены аккредитивы и банковские гарантии.

В 2012 году банк получил награду “Лучший диллинг Банк 2012” от международной корпорации Thomson Reuters. Юнибанк был включен в список 100 крупных налогоплательщиков Армении.

В 2013 году банк заключил договор с международной финансовой корпорацией (IFC) и Черноморским Банком Торговли и Развития (BSTDB) на привлечение кредитных

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<sup>1</sup> Рэнкинг банков РА, **АРМИНФО** ИНФОРМАЦИОННОЕ АГЕНТСТВО, 2006г

средств для развития МСБ кредитования. В том же году Юнибанк присоединился к Американской Торговой Палате (AmCham), которая объединяет порядка 100 ведущих представителей бизнес-сообщества в Армении.

В 2014 году банк осуществил внедрение системы международных денежных переводов Intel Express. Банк также внедрил систему информационной безопасности ISO 27001:2013. В этом же году была внедрена индивидуальная услуга Unibank Prive.

В 2015 году Raiffeisen Bank International присудил Юнибанку премию "Превосходство качества" (RBI STP Quality Awards) за обеспечение высокого качества переводов SWIFT.

По решению годового общего Собрания акционеров от 12 марта 2015 года, Банк был реорганизован, и сейчас организационно-правовая форма Банка является открытым акционерным обществом.

С 1-ого июля 2015 года ОАО Юнибанк стал членом системы учета ценных бумаг, благодаря чему банку присвоен статус оператора счёта депозитарной системы Армении и члена расчётной системы регулируемого рынка.

Юнибанк – первая в Армении компания, которая осуществила размещение акций посредством первичного публичного предложения (IPO). Решение о выпуске акций было обусловлено стратегией обеспечения качественно нового уровня развития Юнибанка и для становления народным банком.

Сегодня Юнибанк один из крупнейших универсальных кредитных организаций Армении, работающий на классических стандартах банковского дела и новейших технологий, а также предлагающий своим клиентам широкий спектр современных банковских продуктов и услуг.

Основной стратегической целью Юнибанка является развитие розничного направления и содействие малому и среднему бизнесу. По состоянию на 30.06.2019г. Юнибанк обслуживает более 350,000 клиентов.

### **1.1.3. Уставный капитал эмитента**

Уставный фонд Банка на дату 30 июня 2019 года составляет 20,489,652,500 (двадцать миллиардов четыреста восемьдесят девять миллионов шестьсот пятьдесят две тысячи пятьсот) драмов РА, который включает 172,886,252 (сто семьдесят два миллиона восемьсот восемьдесят шесть тысяч двести пятьдесят два) обыкновенные распределенные акции, каждая из которых с номинальной стоимостью в 100 (сто) драм РА и 32,010,000 (тридцать два миллиона десять тысяч) привилегированных фиксированных акций, каждая из которых с номинальной стоимостью в 100 (сто) драм РА.

Размер годовых дивидендов по привилегированным фиксированным акциям рассчитывается по процентной ставке 12% годовых по отношению к номинальной стоимости данных акций.

## **Стратегия эмитента**

Юнибанк впервые в Армении посредством первичного публичного предложения (IPO) осуществил размещение акций на фондовой бирже Армении. Деятельность Банка нацелена на обеспечение доступности банковских услуг для широких слоев населения и стимулирование малого и среднего бизнеса. Основной стратегической целью Юнибанка является развитие розничного направления и содействие малому и среднему бизнесу. Также стратегия Юнибанка предусматривает постоянное повышение инвестиционной привлекательности Банка, придерживаясь принципов соблюдения прав и интересов всех акционеров и содействуя формированию инвестиционной культуры в Армении.

### **1.1.4. Краткое описание бизнес эмитента**

#### **Краткое описание бизнеса**

Банк выполняет функции, установленные законодательством РА, в частности:

#### **Привлечение средств**

Банк принимает срочные депозиты и средства до востребования от физических и юридических лиц в драмах и в иностранной валюте.

#### **Размещение кредитов и других средств**

- Банк осуществляет кредитование и обеспечение бизнеса (гарантии, документарные аккредитивы, кредитные линии, овердрафты, банковские гарантии и факторинг). Юнибанк рассматривает развитие кредитования малого и среднего бизнеса как приоритетную стратегию. Юнибанк предлагает кредитные программы, специально разработанные для конкретной клиентской группы на основе исследований рынка и специфики бизнеса.
- Развитие розничного бизнеса тоже является приоритетной бизнес-стратегией Банка. Юнибанк предлагает как целевые потребительские кредиты, так и нецелевые продукты, когда деньги могут быть получены на любые потребительские цели, на ремонт, медицинские, дорожные или другие расходы или на покупку товаров. Банк также предоставляет ипотечные кредиты на приобретение жилой недвижимости, коммерческих помещений, строительство или ремонт, автокредиты, кредиты под залог золота.

#### **Осуществление банковских переводов**

- С 2003 года Банк присоединился к международной системе SWIFT. Банк имеет корреспондентские счета в более 20 местных и международных банках, что позволяет осуществлять оплату обслуживания клиентов банка в любой валюте и платежным инструментом.
- Банк предлагает услуги денежных переводов физическим лицам через международную систему денежных переводов.

#### **Предоставление и обслуживание пластиковых карт**

- Юнибанк предлагает своим клиентам локальные платежные карты ArCa, а также карты Visa International. Юнибанк также выпускает чиповые карты Visa через собственный процессинговый центр.

### **Сделки по ценным бумагам и иностранной валютой, брокерские услуги**

- Банк осуществляет операции по купле-продаже в иностранной валюте и операции с ценными бумагами.

### **Карта коммунальных платежей UNIPAY**

- Юнибанк имеет систему приема коммунальных платежей. Карта UNIPAY содержит всю информацию, необходимую при платеже, что позволяет обеспечить быстрое и удобное обслуживание клиентов.

### **Прием платежей за предоставление общественных услуг**

- В целях предоставления клиентам комплексных платежных и расчетных услуг Банк содействует приему платежей от физических и юридических лиц по налогам, сборам, оплате за электроэнергию, телефон и за предоставление других общественных услуг.

### **Другие услуги**

- Юнибанк осуществляет расчетно-кассовое обслуживание своих клиентов - открытие и обслуживание счетов, кассовые операции, выдача гарантий, инкассо, операции с ценными бумагами и т. д. Юнибанк также предоставляет услуги гражданам Армении, которые пользуются государственными социальными программами.
- Система «Интернет Банк - Клиент» предоставляет клиенту полноценное банковское обслуживание в режиме реального времени, позволяя осуществлять сделки без посещения банка, работать с платежными документами, получать выписки по банковским счетам, оплачивать коммунальные счета и т.д.
- Юнибанк предлагает своим клиентам депозитарные ячейки для хранения ценных вещей и документов.

Юнибанк построил развитую филиальную сеть. Сегодня банк представлен центральным офисом и 51 филиалом на территории Армении и Арцаха. В Москве действует Представительство Банка. Ниже представлена обобщенная информация по активам Банка:

тыс. драм РА

	30.06.2019 (не аудированный)	31.12.2018 (аудированный)	31.12.2017 (аудированный)	31.12.2016 (аудированный)
Активы, в том числе	222,545,335	209,799,688	202,721,471	185,396,089
Доходные активы	166,326,042	162,955,000	156,600,173	133,027,017
Удельный вес доходных активов	75%	78%	77%	72%

### 1.1.5 Организационная структура Банка

Организационная структура Банка представлена в приложении 2 к данному Проспекту.

### 1.1.6 Качество активов

#### Адекватность активов

По результатам второго квартала 2019 года, чистая прибыль Банка, согласно неаудированным отчетам, составила 533 млн драм РА, а доход на капитал (отношение чистой прибыли к среднему капиталу) 3.3%:

#### Качество активов

На конец второго квартала 2019 года кредитный портфель Банка составил 151.2 млрд драм РА.

#### Ликвидность активов

Банк стремится активно поддерживать диверсифицированный и стабильный источник финансирования, для быстрого и простого обеспечения непредсказуемых потребностей ликвидности диверсифицированного портфеля высококачественных и ликвидных активов.

Ниже представлена информация относительно нормативов ликвидности ЦБ РА:

Разрешенная величина норматива, установленная ЦБ РА	Фактическая величина 2-ой квартал 2019 года	Фактическая величина 2018 года	Фактическая величина 2017 года	Фактическая величина 2016 года	Фактическая величина 2015 года
H21*	25.8%	26.9%	25.3%	29.1%	21.5%
H2 2**	92.2%	107.1%	272.7%	372.1%	272.1%

\* Минимальное соотношение сумм высоколиквидных активов и общих активов Банка

\*\* Минимальное соотношение высоколиквидных активов и обязательств до востребования Банка

## 1.2 Краткое описание рисков, связанных с эмитентом и ценными бумагами.

Существует ряд факторов риска, которые характерны для инвестиций в облигации, предлагаемые в рамках данного Проспекта.

Прежде чем принимать какое-либо решение, любой инвестор должен заранее ознакомиться с рисками, связанными с этими облигациями, в зависимости от их опыта, целей, финансовых ресурсов, уровня риска и других факторов.

Ниже мы представляем риски, присущие банкам, в частности ОАО Юнибанку, механизмы измерения и минимизации рисков в Банке.

В ходе своей деятельности Банк подвержен рискам, связанным с банковской деятельностью, для управления которыми существует достаточно ресурсов и механизмов.

Банком рассматриваются следующие наиболее значимые риски:

### Кредитный риск.

Невыполнение договорных обязательств заемщиками может оказать существенное влияние на деятельность Банка и привести к дополнительным расходам, которые окажут негативное влияние на его прибыль.

Кредитный портфель Юнибанка достаточно диверсифицирован и не содержит крупных концентраций. Приоритетными направлениями кредитования являются кредитование физических лиц и малого и среднего бизнеса. Однако в портфеле Банка есть неработающие активы, которые могут быть источником потенциальных убытков. Согласно анализу рисков кредитного портфеля Банка, кредитный портфель Банка имеет следующую структуру по состоянию на 30.06.2019г.

В то же время показатели, характеризующие кредитный риск Банка, имеют следующий вид:

тыс. драм РА

Активы	Работающие активы	Неработающие активы		
	Низкий риск	Средний риск		Высокий риск
Кредиты, в том числе				
1. Для резидентов РА	101,932,232	2,024,118		36,093,038
2. Для резидентов стран СНГ	8,752,481			2,421,650
Итого	110,684,713	2,024,118		38,514,688

Резерв по кредитам/общие кредиты = 10.66 %

Неработающие кредиты/общие кредиты =16.25%

Резерв на неработающие кредиты /Общий капитал = 32.13%

Специальный резерв возможных потерь/ Неработающие кредиты = 38.96%

Показатель покрытия прибыли (чистые операционные доходы + расходы на формирование резерва)/чистый убыток от кредитов =42.51%

Чистая процентная маржа с учетом риска кредита =3.84%:

Банк регулирует уровни кредитного риска, устанавливая допустимые суммы лимитов риска для отдельного заемщика или группы заемщиков, а также по отраслям экономики и географическим сегментам.

Такие риски периодически контролируются, и их управление подлежит регулярному частому анализу. В соответствии с типами продуктов лимиты кредитного риска для секторов экономики и стран утверждаются и, в случае необходимости, пересматриваются со стороны Совета.

**Валютный риск** может возникнуть в результате колебаний обменных курсов. Валютный риск в Банке управляемый (довольно низкий), так как в Банке установлены максимальные лимиты для открытых валютных позиций.

**Процентный риск** может привести к резкому изменению рыночных процентных ставок. Практически все активы и обязательства Банка находятся на фиксированной ставке. Однако в этом случае риски также могут возникать из-за несоблюдения сроков погашения активов и обязательств Банка.

В Банке проводится анализ того, что резкие колебания рыночных процентных ставок приведут к убытку в размере макс. 100 млн драмов в краткосрочной перспективе. Чтобы обуздать эти риски, Банк поддерживает ценовую политику, также установлены максимальные лимиты для разрыва срочности.

Риск изменений в законодательном поле может быть вызван изменениями в законодательстве, которые влияют как на деятельность Банка, так и на ситуацию на рынке. В то же время следует отметить, что изменения могут также повлиять на привлекательность облигаций и, как следствие, на ее ликвидность.

**Риски, присущие облигациям:**

**Банком рассматриваются наиболее значимые следующие риски:**

Риск ликвидности облигаций, который может возникнуть из-за резких изменений рыночной ситуации или ухудшения финансового положения Банка. В результате облигации могут потерять свою привлекательность, и инвестор вынужден продавать облигации по более низкой цене, нежели рыночной.

Валютный риск может возникнуть из-за резких колебаний обменного курса, которые могут оказать существенное влияние как на Банк, так и на рынок ценных бумаг, он может привести к ненадлежащему управлению риском по имеющимся у общества активам и пассивам, выраженным в иностранной валюте, а также к недостаточной информированности инвесторов о предлагаемом продукте облигаций в иностранной валюте.

Инвестор также может понести определенные убытки по валютно-обменным операциям (в случае девальвации драма РА) при конвертации своих средств, выраженных в драмах РА на доллары США и при конвертации долларов США на драмы РА при погашении облигаций. Процентный риск может возникнуть из-за резких изменений процентных ставок на рынке. Это может повлиять на доходность, привлекательность и ликвидность облигаций, поскольку цена и доходность облигаций находятся взаимосвязаны.

Каждый из представленных рисков может оказать негативное влияние на текущую рыночную позицию Банка, что приведет к неисполнению Банком его обязательств или падению цены облигаций и ликвидности на рынке. Тем не менее, учитывая текущие события в банковской системе, низкий риск и осторожную политику Банка, уровень управления рисками в Банке, а также строгий контроль со стороны надзорного органа, вероятность возникновения вышеуказанных рисков довольно низкий.

Эмитент может также столкнуться с другими рисками, которые на данный момент неизвестны эмитенту или которые эмитент не считает существенными для включения в Проспект эмиссии.



### **1.3 Тенденции развития экономической деятельности эмитента и изменения его финансового состояния**

Банк осуществляет свою деятельность в соответствии с программой перспективного развития, утвержденной Советом Банка.

Деятельность Банка контролируется Правлением и Советом Банка, которые оперативно реагируют на изменения рыночной ситуации, принимая во внимание соответствие предлагаемых Банком услуг и тарифов требованиям рынка.

Важнейшим моментом в общем развитии Банка является развитие как розничного бизнеса, так и малого и среднего бизнеса. Помимо этого Банк уделяет особое внимание повышению качества обслуживания, расширению его масштабов и привлечению ресурсов (в частности, в результате сотрудничества с юридическими лицами-резидентами и нерезидентами, а также с международными организациями).

Банк также предпринимает действия по обеспечению ликвидности и подготовке к возможным изменениям и потрясениям на финансовых рынках.

По состоянию на 30.06.2019г. капитал банка составил 33,059,473 тыс. драм РА.

Все патенты, лицензии, необходимые для работы, действительны, нет существенных судебных исков, влияющих на финансовое положение или прибыльность Банка, не ожидаются и не имеются организационные изменения.

В то же время руководство Банка уделяет особое внимание соблюдению современной и текущей организационной структуры Банка. Имеющиеся изменения в организационной структуре Банка направлены на повышение эффективности его работы и прибыльности.

### **1.4 Лицо, осуществляющее аудит эмитента**

В течение последних 3 лет (2016, 2017, 2018) внешним аудитором Банка была избрана независимая аудиторская компания ЗАО "Grant Thornton International". Для проведения аудита за 2019 год был объявлен конкурс, в результате чего победителем была избрана независимая аудиторская компания ЗАО "Grant Thornton International".

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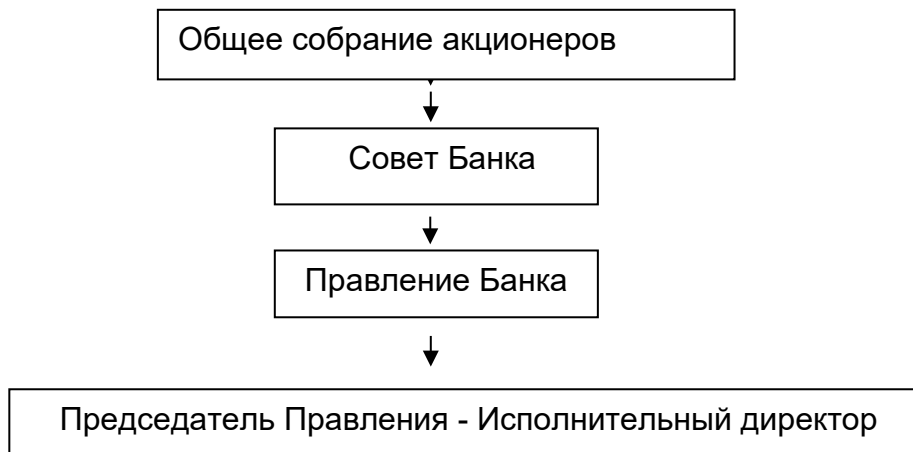
Директор – акционер Гагик Гюлбудагян

## 1.5 Органы управления эмитента, сотрудники и акционеры

Органами управления Банка являются:

- Общее собрание акционеров (далее «Собрание»);
- Совет;
- Коллегиальный исполнительный орган – Правление (далее – «Правление») и единоличный исполнительный орган – Председатель Правления (далее – «Председатель Правления - Исполнительный директор»);

Структура органов управления Банка



### **Совет Банка состоит из 7 членов**

Гагик Закарян - Председатель Совета, стаж 25 лет.

Георгий Писков - Член Совета, стаж 25 лет.

Граат Арзуманян - Член Совета, стаж 20 лет.

Эдуард Заманян - Член Совета, стаж 26 лет.

Давид Папазян - Член Совета, стаж 13 лет.

Вардан Атаян - Член Совета, стаж 24 лет.

Артем Констандян - Член Совета, стаж 25 лет.

### **Правление Банка состоит из 8 членов**

Месроп Акопян - Председатель Правления, стаж 17 лет.

Арарат Гукасян - Первый заместитель председателя Правления, стаж 24 года.

Гоар Григорян - Член Правления, Финансовый Директор - Главный бухгалтер, стаж 25 лет.

Овсання Аракелян - Заместитель председателя Правления, Директор по правовому обслуживанию и взысканию просроченной задолженности, стаж 20 лет.

Давид Петросян - Член Правления, Директор по продажам и развитию корпоративного бизнеса, стаж 16 лет.

Гурген Гукасян - Член Правления, Директор по продажам и развитию розничного бизнеса, стаж 14 лет.

Тигран Баданян - Член Правления, Директор по управлению рисками, стаж 26 лет.  
Артур Аперян - Директор по операционному обслуживанию и информационным системам, стаж 12 лет.

Количество сотрудников по состоянию на 30.06.2019 составляет 804. Обыкновенные именные акции Юнибанка контролируются компанией UNIHOLDING GG Limited - 87,8% (адрес Кипр, Никосия, Патму 5В, Агляция, Р.С. 2103), которому принадлежат 147,805,227 (сто сорок семь миллионов восемьсот пять тысяч двести двадцать семь) обыкновенных именных акций и 32,010,000 (тридцать два миллиона десять тысяч) привилегированных акций. Владельцами остальных обыкновенных именных акций компании являются 6 юридических лиц и 156 физических лиц.

## **1.6 Основные статистические данные облигаций, выпущенных со стороны эмитента**

### **10.07.2015**

Класс ценных бумаг	Обыкновенные акции
Форма ценных бумаг	Бездокументарные
Количество ценных бумаг	14,500,000 штук
Номинальная стоимость ценных бумаг (валюта)	100 драм РА
Стоимость размещения ценных бумаг (валюта)	230 драм РА
Общая номинальная стоимость ценных бумаг	1,450,000,000 драм РА
Общая стоимость размещения ценных бумаг	3,335,000,000 драм РА

### **15.04.2016**

Класс ценных бумаг	Обыкновенные акции
Форма ценных бумаг	Бездокументарные
Количество ценных бумаг	22,704,347 штук
Номинальная стоимость ценных бумаг (валюта)	100 драм РА
Стоимость размещения ценных бумаг (валюта)	230 драм РА
Общая номинальная стоимость ценных бумаг	2, 270,434,700 драм РА
Общая стоимость размещения ценных бумаг	5,222,000,000 драм РА

### **19.05.2016**

Класс ценных бумаг	Обыкновенные акции
Форма ценных бумаг	Бездокументарные
Количество ценных бумаг	12,173,914 штук
Номинальная стоимость ценных бумаг (валюта)	100 драм РА
Стоимость размещения ценных бумаг (валюта)	230 драм РА
Общая номинальная стоимость ценных бумаг	1, 217,391,400 драм РА
Общая стоимость размещения ценных бумаг	2,800,000,000 драм РА

**09.11.2016**

Класс ценных бумаг	Обыкновенные акции
Форма ценных бумаг	Бездокументарные
Количество ценных бумаг	14,376,044 штук
Номинальная стоимость ценных бумаг (валюта)	100 драм РА
Стоимость размещения ценных бумаг (валюта)	230 драм РА
Общая номинальная стоимость ценных бумаг	1,437,604,400 драм РА
Общая стоимость размещения ценных бумаг	3,306,500,000 драм РА

В июне 2016 года Юнибанк успешно завершил процесс выпуска и размещения купонных именных долларовых облигаций с годовой доходностью в 8%. 30 июня 2016 года облигации ОАО «Юнибанк» прошли листинг на Армянской фондовой бирже и были включены в список облигаций Abond.

Краткий анализ долларовых облигаций AMUNIBB21ER8		
ISIN облигации		AMUNIBB21ER8
Доходность облигаций		8%
Дата погашения облигаций		08/04/18
Периодичность погашения купонов		4
Количество размещенных облигаций		50,000
Объем размещенных облигаций		5,000,000
Средняя цена размещенных облигаций		100.2814
Число владельцев облигаций		128
Дифференциация владельцев облигаций по физическим и юридическим лицам	Физическое лицо	126
	Юридическое лицо	2

В ноябре 2017 года Юнибанк успешно завершил процесс выпуска и размещения купонных именных долларовых облигаций с годовой доходностью в 5.75%. В ноябре 2017 облигации ОАО «Юнибанк» (UNIBB2) прошли листинг на Армянской фондовой бирже и были включены в список облигаций Abond.

Краткий анализ долларовых облигаций AMUNIBB23ER4		
ISIN облигации		AMUNIBB23ER4
Доходность облигаций		5.75%
Дата погашения облигаций		11-Sep-2020թ
Периодичность погашения купонов		4
Количество размещенных облигаций		50,000
Объем размещенных облигаций		5,000,000
Средняя цена размещенных облигаций		100.41
Число владельцев облигаций		161
Дифференциация владельцев облигаций по физическим и юридическим лицам	Физическое лицо	158
	Юридическое лицо	3

В мае 2017 года Юнибанк успешно завершил процесс выпуска и размещения купонных именных драмовых облигаций с годовой доходностью в 13.5%. В июне 2017 облигации

ОАО «Юнибанк» прошли листинг на Армянской фондовой бирже и были включены в список облигаций Bbond.

Краткий анализ драмовых облигаций AMUNIBB22ER6		
ISIN облигации		AMUNIBB22ER6
Доходность облигаций		13.50%
Дата погашения облигаций		23-Nov-18
Периодичность погашения купонов		4
Количество размещенных облигаций		25,000
Объем размещенных облигаций		250,000,000
Средняя цена размещенных облигаций		100.98
Число владельцев облигаций		32
Дифференциация владельцев облигаций по физическим и юридическим лицам	Физическое лицо	30
	Юридическое лицо	2

В феврале 2018 года Юнибанк успешно завершил процесс выпуска и размещения купонных именных драмовых облигаций с годовой доходностью в 10%. В феврале 2018 года облигации ОАО «Юнибанк» прошли листинг на Армянской фондовой бирже и были включены в список облигаций Bbond.

Краткий анализ драмовых облигаций AMUNIBB22ER5		
ISIN облигации		AMUNIBB22ER5
Доходность облигаций		10%
Дата погашения облигаций		13-Feb-2020
Периодичность погашения купонов		4
Количество размещенных облигаций		25,000
Объем размещенных облигаций		250,000,000
Средняя цена размещенных облигаций		10 040.65
Число владельцев облигаций		31
Дифференциация владельцев облигаций по физическим и юридическим лицам	Физическое лицо	30
	Юридическое лицо	1

В марте 2018 года Юнибанк успешно завершил процесс выпуска и размещения купонных именных долларовых облигаций с годовой доходностью в 5.5%. В апреле 2018 года облигации ОАО «Юнибанк» прошли листинг на Армянской фондовой бирже и были включены в список облигаций Abond.

Краткий анализ долларовых облигаций AMUNIBB22ER4	
ISIN облигации	AMUNIBB22ER4
Доходность облигаций	5.5%
Дата погашения облигаций	13-May-2021
Периодичность погашения купонов	5
Количество размещенных облигаций	50,000
Объем размещенных облигаций	5,000,000
Средняя цена размещенных облигаций	100.4894
Число владельцев облигаций	54

Дифференциация владельцев облигаций по физическим и юридическим лицам	Физическое лицо	53
	Юридическое лицо	1

В ноябре 2018 года Юнибанк успешно завершил процесс выпуска и размещения купонных именных долларовых облигаций с годовой доходностью в 5.5%. В декабре 2018 года облигации ОАО «Юнибанк» прошли листинг на Армянской фондовой бирже и были включены в список облигаций Abond.

Краткий анализ долларовых облигаций AMUNIBB26ER7		
ISIN облигации		AMUNIBB26ER7
Доходность облигаций		5.5%
Дата погашения облигаций		22-Oct-2021
Периодичность погашения купонов		4
Количество размещенных облигаций		50,000
Объем размещенных облигаций		5,000,000
Средняя цена размещенных облигаций		100.2399
Число владельцев облигаций		107
Дифференциация владельцев облигаций по физическим и юридическим лицам	Физическое лицо	104
	Юридическое лицо	3

В ноябре 2018 года Юнибанк успешно завершил процесс выпуска и размещения купонных именных драмовых облигаций с годовой доходностью в 10%. В ноябре 2018 года облигации ОАО «Юнибанк» прошли листинг на Армянской фондовой бирже и были включены в список облигаций Bbond.

Краткий анализ драмовых облигаций AMUNIBB27ER5		
ISIN облигации		AMUNIBB27ER5
Доходность облигаций		10%
Дата погашения облигаций		22-Oct-2020
Периодичность погашения купонов		4
Количество размещенных облигаций		50,000
Объем размещенных облигаций		500,000,000
Средняя цена размещенных облигаций		10 008.75
Число владельцев облигаций		40
Дифференциация владельцев облигаций по физическим и юридическим лицам	Физическое лицо	39
	Юридическое лицо	1

В декабре 2018 года Юнибанк успешно завершил процесс выпуска и размещения купонных именных драмовых облигаций с годовой доходностью в 10%. В декабре 2018 года облигации ОАО «Юнибанк» прошли листинг на Армянской фондовой бирже и были включены в список облигаций Bbond.

Краткий анализ драмовых облигаций AMUNIBB28ER3		
ISIN облигации	AMUNIBB28ER3	
Доходность облигаций	10%	
Дата погашения облигаций	12-Nov-2020	
Периодичность погашения купонов	4	
Количество размещенных облигаций	50,000	
Объем размещенных облигаций	500,000,000	
Средняя цена размещенных облигаций	10 008.86	
Число владельцев облигаций	52	
Дифференциация владельцев облигаций по физическим и юридическим лицам	Физическое лицо	51
	Юридическое лицо	1

В апреле 2019 года Юнибанк успешно завершил процесс выпуска и размещения купонных именных долларовых облигаций с годовой доходностью в 5%. В мае 2019 года облигации ОАО «Юнибанк» прошли листинг на Армянской фондовой бирже и были включены в список облигаций Bbond.

Краткий анализ долларовых облигаций AMUNIBB29ER1		
ISIN облигации	AMUNIBB29ER1	
Доходность облигаций	5%	
Дата погашения облигаций	20-March-2022	
Периодичность погашения купонов	4	
Количество размещенных облигаций	10,924	
Объем размещенных облигаций	1,092,400	
Средняя цена размещенных облигаций	100.3873	
Число владельцев облигаций	49	
Дифференциация владельцев облигаций по физическим и юридическим лицам	Физическое лицо	48
	Юридическое лицо	1

### 1.7 Основные статистические данные выпускаемых эмитентом облигаций

<b>Класс ценной бумаги</b>	Именные, неконвертируемые, купонные облигации
<b>Форма ценной бумаги</b>	Бездокументарные
<b>Количество выпущенных ценных бумаг</b>	200,000 штук в долларах США, 300,000 штук в драмах РА
<b>Номинальная стоимость единицы (валюта)</b>	100 USD , 10,000 драм РА
<b>Общая номинальная стоимость</b>	20,000,000 в долларах США, 3,000,000,000 драм РА
<b>Купонная ставка</b>	По решению Совета эмитента
<b>Периодичность выплаты купонов</b>	На ежемесячной основе

<b>День размещения</b>	Подлежит решению Совета Эмитента для каждого транша облигаций
<b>Размер годового купона</b>	Подлежит решению Совета Эмитента
<b>Срок обращения</b>	Подлежит решению Совета Эмитента
<b>Форма обращения</b>	Облигации со свободным обращением
<b>Обеспечение облигаций</b>	Необеспеченные

Окончательные условия выпуска, размещения, обращения и выкупа облигаций устанавливаются Советом Банка. Окончательные условия каждого выпуска ценных бумаг представляются в Центральный банк и публикуются не позднее, чем за два дня до размещения.

После завершения размещения облигаций Банк подает заявку на листинг облигаций на Армянской фондовой бирже в самое короткое время. Заявка на листинг облигаций может быть также отклонена. Банк также может подать заявку на двойной листинг облигаций в зарубежных странах, в том числе на фондовой бирже РФ. Заявка на листинг облигаций может быть также отклонена.

Основной целью размещения Банком облигаций является привлечение рыночных средств. В результате размещения привлеченные средства будут направлены на предоставление кредитов.

Чтобы воспользоваться предложением, лицо, решившее принять предложение и купить облигации, должно участвовать в размещении облигаций через центральный офис Банка и/или филиальную сеть. В качестве покупателя может выступать любое физическое или юридическое лицо, являющееся резидентом или нерезидентом.

### **1.8 Форма раскрытия окончательных условий**

Окончательные условия выпуска, размещения, обращения и погашения облигаций определяются решением Совета Банка.

Окончательные условия по каждому выпуску ценных бумаг должны быть представлены в ЦБ РА и опубликованы не менее чем за два дня до размещения каждого транша. Окончательные условия каждого выпуска ценных бумаг эмитент обязуется опубликовать на своем веб-сайте.

### **1.9 Сводные финансовые данные эмитента**

Представленные по абсолютной величине показатели выражены в тыс. драмах.

<b>Наименование показателя</b>	<i>30.06.2019 (неаудированный)</i>	<i>31.12.2018 (аудированный)</i>	<i>31.12.2017 (аудированный)</i>	<i>31.12.2016 (аудированный)</i>
Чистая прибыль после убавлений по линии расхода на налог на прибыль	533,195	931,297	67,602	-443,218
Средняя величина собственного капитала	32,848,501	33,176,713	35,334,279	29,704,263
Доходность собственного капитала (ROE), %	3.3%	2.8%	0.2%	-1.5%



Чистая прибыль после убавлений по линии расхода на налог на прибыль	533,195	931,297	67,602	-443,218
Средняя величина общих активов	214,941,763	199,485,446	191,844,966	174,248,544
Доходность по активам (ROA), %	0.5%	0.5%	0.0%	-0.3%
Чистая прибыль после убавлений по линии расхода на налог на прибыль	533,195	931,297	67,602	-443,218
Операционный доход	7,112,530	14,762,553	13,454,274	10,831,503
Маржа чистой прибыли (NPM), %	7.5%	6.3%	0.5%	-4.1%
Операционный доход	7,112,530	14,762,553	13,454,274	10,831,503
Средняя величина общих активов	214,941,763	199,485,446	191,844,966	174,248,544
Коэффициент использования активов (AU), %	6.7%	7.4%	7.0%	6.2%
Средняя величина общих активов	214,941,763	199,485,446	191,844,966	174,248,544
Средняя величина собственного капитала	32,848,501	33,176,713	35,334,279	29,704,263
Мультипликатор собственного капитала (EM), %	6.54%	6.01%	5.43%	5.87%
Чистая процентная прибыль	4,935,721	10,518,060	10,491,356	8,361,044
Средняя величина прибыльных активов	163,678,352	151,855,857	148,972,966	131,429,702
Чистая процентная маржа (NIM), %	6.1%	6.9%	7.0%	6.4%
Процентные доходы	9,538,573	20,008,220	22,296,742	21,329,971
Средняя величина прибыльных активов	163,678,352	151,855,857	148,972,966	131,429,702
Доходность доходных активов	11.8%	13.2%	15.0%	16.2%
Процентные расходы	4,602,852	9,490,160	11,805,386	12,968,927
Обязательства, по части которых производятся процентные расходы	180,067,365	164,735,879	154,817,860	142,975,618
Расходность тех обязательств, по части которых производятся процентные расходы	5.2%	5.8%	7.6%	9.1%
Чистая прибыль после убавлений по линии расхода на налог на прибыль	533,195	931,297	67,602	-443,218
Средневзвешенное число акций	204,896,525	204,896,525	203,732,963	163,963,708
Чистая прибыль от одной акции (EPS)	2.6	4.5	0.3	-2.7
Спред	6.6%	7.4%	7.3%	7.2%

### Уведомление инвестору

Резюме рассматривается в качестве вводного краткого описания Проспекта. Решение инвестора о вложении в предлагаемые облигации должно основываться на всем Проспекте Лица, ответственные за составление настоящего Резюме несут гражданскую ответственность за нецелостность или искажение информации, включенной в Резюме (а также относительно перевода), если при рассмотрении с остальными частями Проспекта информация неполная или дезориентирующая.

## ГЛАВА 2. ИНФОРМАЦИЯ ОБ ОБЛИГАЦИЯХ

### 2.1 Рисковые факторы

Инвестиции в ценные бумаги, включая в облигации любого хозяйствующего субъекта, в том числе Банка, связаны с определенными рисками, по-этому инвестор должен внимательно рассмотреть краткое описание рисков, изложенных ниже и все прочие сведения Проспекта до принятия решения о покупке предлагаемых облигаций. Необходимо, тем не менее, учитывать, что список рисков, представленных в данном документе не исчерпывающий и возможно возникновение какого-либо события/риска, непредвиденного характера, которое может негативно сказаться на возвратность инвестиций или на их стоимость. Инвестор при принятии решения должен полностью осознать сущность инвестиции и руководствоваться также собственным опытом, целями и ожиданиями. Каждый из представленных рисков может оказать определенное негативное влияние как на ситуацию в Банке, так и на рыночную ситуацию, что приведет к неисполнению Банком своих обязательств или снижению рыночной цены и ликвидности его облигаций.

**В числе возможных рисков можно отметить:**

**Рыночный риск** возникает вследствие изменения рыночных факторов (курсы валют, проценты), воздействующих на цену облигаций.

Цена и спрос на облигации Эмитента на вторичном рынке могут изменяться в связи с изменениями экономических показателей в отечественной и международной экономике и / или ожиданиями таких изменений. Инвестор должен иметь в виду, что рыночная цена ценных бумаг может колебаться и со временем снижаться и/или повышаться. Чтобы свести к минимуму негативное влияние этого риска на финансовые показатели Банка. Дирекция по управлению рисками Банка установило величину риск аппетита и разработало соответствующие лимиты рыночного риска.

**Валютный риск** возникает по причине колебаний курса национальной валюты и может негативно воздействовать на доходы, получаемые инвестором от облигаций, если он, полученный от облигаций доход, оценивает в драмах РА (например, для инвестиций он обменял драм РА на валюту и валюту, полученную после погашения облигации обменял на драм РА). В частности, при увеличении стоимости национальной валюты в случае обмена сумм, полученных от погашения облигаций, выраженных в инвалюте (включая проценты), доход, рассчитанный в драмах РА может быть меньше предусмотренного (отрицательный).

**Риск процентной ставки** возникает вследствие изменения рыночных процентных ставок – в случае роста процентных ставок цена облигаций снижается, что может привести к тому, что инвестор в случае продажи облигаций до погашения может иметь потери, или не получить предусмотренный доход.

**Риск ликвидности** облигаций: в условиях низкого уровня развитости рынка облигаций, вследствие резкого изменения ситуации, сформированной на рынке, а также ухудшения финансового состояния Банка может создаться такая ситуация, когда собственник облигации может в любой момент столкнуться с трудностями продажи облигаций. В частности, возможно, что собственник облигации не сможет в предпочтительный для него момент продать облигацию или будет вынужден продать ее за низкую цену, понести убытки.

**Риск реинвестирования.** Те инвесторы, которые приобретут облигации Эмитента с целью обеспечения и получения доходности до погашения, установленной сделкой приобретения должны учитывать, что принимают на себя риск реинвестирования, обусловленный вероятным отсутствием возможности инвестирования с доходностью эквивалентной как минимум периодически получаемой купонной доходности облигаций эмитента.

**Кредитный риск/риск дефолта.** Инвесторы, приобретая корпоративные облигации любого эмитента, несут кредитный риск эмитента, который связан с ухудшением будущего финансового положения эмитента, возможностью осуществления купонных выплат или невозможностью погашения облигаций по их номинальной стоимости и возможным банкротством.

**Инфляционный риск или риск покупательной способности:** При оценке именной купонной доходности за выпущенные эмитентом облигации, выраженной в долларах США, инвесторы должны учесть, что действительная доходность при погашении облигаций может быть ниже именной доходности.

**Риск изменения рейтинга.** При других равных условиях цена облигации обычно напрямую зависит от рейтинга (ов), описывающего кредитный риск эмитента и/или самой облигации (Moody's, S & P, Fitch). В случае снижения рейтинга обычно падает и цена облигации.

## **2.2 Основная информация**

Средства, привлеченные в результате размещения бездокументарных именных купонных облигаций ОАО «Юнибанк», будут направлены на предоставление краткосрочных и долгосрочных кредитов и осуществление инвестиций.

## **2.3 Информация об облигациях**

**2.3.1 Тип и класс ценных бумаг:** Облигации ОАО «Юнибанк» именные, купонные, бездокументарные, неделимые и неконвертируемые. Выпускаемые облигации пока не имеют дифференцирующий пароль.

**2.3.2 Страна, согласно законодательству которой выпущены ценные бумаги:** Бездокументарные именные купонные облигации выпускаются на территории Республики Армения, в соответствии с законодательством РА и законодательными актами, и споры возникающие в связи с этим, в том числе

судебные, подлежат разрешению в порядке, установленном законодательством РА.

**2.3.3 Форма ценных бумаг:** Выпускаемые акции бездокументарные. Реестр облигаций ведется со стороны ОАО “Центральный Депозитарий Армении”.

**2.3.4 Номинальная стоимость и количество ценных бумаг:** Номинальная стоимость одной облигации составляет 100 долларов США для облигаций номинированных в долларах США и 10,000 драм РА для облигаций номинированных в драмах РА.

**2.3.5 Валюта выпуска:** Валюта выпуска облигаций - доллары США.

**2.3.6 Информация о классификации предлагаемых ценных бумаг:**

В случае невыплаты купонов по облигациям и/или основной суммы в установленный срок Банк может быть признан банкротом и в результате этого ликвидироваться в порядке, установленном законом РА “О банкротстве банков, кредитных организаций, инвестиционных организаций, управляющих инвестиционных фондов и страховых компаний”. В случае банкротства Банка, выплаты заимодавцам производятся в порядке очередности, установленной статьей 31 закона РА “О банкротстве банков, кредитных организаций, инвестиционных организаций, управляющих инвестиционных фондов и страховых компаний”, согласно которой требования собственников предлагаемых Банком облигаций удовлетворяются в 4-ую очередь, за исключением инвестиций, являющихся депозитами в контексте закона РА “О гарантировании возмещения банковских вкладов физических лиц”, которые удовлетворяются в 3-ю очередь. При этом, требования каждой очереди удовлетворяются после полного удовлетворения требований предыдущей очереди.

Средства, привлеченные по выпуску облигаций, гарантируются по закону РА “О гарантировании возмещения банковских вкладов физических лиц” и в порядке, установленном тем же законом, подлежат возмещению в размерах, установленных статьей 3, а именно:

- а) если вкладчик в неплатежеспособном банке имеет только драмовый банковский депозит, сумма гарантированного вклада составляет десять миллионов армянских драм,
- б) если вкладчик в неплатежеспособном банке имеет только инвалютный банковский депозит, сумма гарантированного вклада составляет пять миллионов армянских драм,
- в) если вкладчик в неплатежеспособном банке имеет драмовый и инвалютный банковские депозиты и сумма драмового банковского депозита больше пяти миллионов армянских драм, гарантируется только драмовый депозит на сумму до десять миллионов армянских драм,
- г) если вкладчик в неплатежеспособном банке имеет драмовый и инвалютный банковские депозиты и сумма драмового банковского депозита меньше пяти миллионов армянских драм, гарантируется драмовый банковский депозит полностью и инвалютный банковский депозит в сумме разницы между пятью миллионами драм и подлежащей возмещению суммы драмового банковского депозита.

### **2.3.7 Описание прав, исходящих из ценных бумаг:**

Решением о выпуске облигаций установлены вытекающие из облигаций следующие права:

- Владельцы облигаций Банка имеют право на получение купона от номинальной стоимости облигации, согласно установленному графику. На конец срока получения купонного дохода/обращения облигаций для реализации права на получение их номинальной стоимости, проведения инвесторами дополнительных действий не требуется и купонная прибыль/номинальная стоимость облигации перечисляется Эмитентом на банковский счет инвестора/владельца.
  - В случае нарушения Эмитентом установленного срока по купонам облигаций и/или сумме погашения, проводить допустимые законом действия по удовлетворению своих требований, вытекающих из права собственности на облигации.
  - Заложить облигации в порядке, установленном законом.
  - По своему желанию отчуждать облигации на Фондовой бирже или вне ее в порядке, установленном законом, при этом инвесторы должны учитывать, что запрещается продавать ценные бумаги вне регулируемого рынка, разрешенные к купле-продаже на регулируемом рынке.
  - Иные права, предусмотренные законом.
- Одновременно владелец облигации обязан в сроки, установленные условиями выпуска облигаций, исполнить денежное и любое неденежное обязательство, вытекающее из приобретения, отчуждения облигаций и иных действий, а также нести иные обязанности, предусмотренные законом.

### **2.3.8 Процентная ставка купона и условия его оплаты:**

За облигации будет рассчитан и уплачен купонный именной доход, который подлежит установлению Советом Банка. Купоны по облигациям будут выплачиваться с ежеквартальной периодичностью.

Предусматриваемый по облигациям купонный доход будет рассчитываться в долларах США, однако будет выплачиваться инвесторам в драмах РА, по официальному курсу драма по отношению к долларам США, объявленному со стороны ЦБ РА на рабочий день, предшествующий дате выплаты.

Купоны владельцам и/или держателям облигаций будут выплачиваться (погашаться) в день расчета купонов. Если дата расчета приходится на нерабочий день, выплата (погашение) купона производится на следующий рабочий день. Право на получение купонов (процентов) имеют лица, зарегистрированные в реестре владельцев облигаций на конец дня, предшествующего дате расчета купонов облигаций (владельцы или держатели).

Реестр владельцев облигаций закрывается в 18:00 дня, предшествующего дате расчета очередных купонов облигаций, то есть владельцы, зарегистрированные в

реестре после указанного времени, не имеют право на получение купона, оплачиваемого за предыдущий купонный период (предыдущий квартал).

Выплачиваемые владельцам облигаций доходы (проценты) будут выплачиваться в течение дня, следующего за датой закрытия реестра владельцев облигаций.

Предусматриваемые суммы по выплате купонов в долларах США рассчитываются с точностью до двух знаков после запятой, при этом округление производится согласно правилам математического округления, до ближайшего целого числа, а держателям и/или владельцам выплачиваются с точностью до 10 драм РА (округление производится согласно правилам математического округления, до ближайшего целого числа). Под правилами математического округления следует понимать метод округления, при котором значение целой единицы не изменяется, если первая за округляемой цифра находится в промежутке от 0 до 4, и увеличивается на единицу, если первая за округляемой цифра находится в промежутке от 5 до 9.

ОАО «Юнибанк» суммы купонов будет оплачивать в безналичной форме, посредством перечисления на банковские счета, указанные в реестре владельцев и/или держателей облигаций.

Банк не перечисляет выплаты тем владельцам, сведения о банковском счете которых отсутствуют в полученной из Депозитария выписке из реестра владельцев облигаций, и Банк иным образом не владеет этими сведениями. В этом случае Банк в течение трех рабочих дней выплаты данным владельцам перечисляет в депозит нотариуса. Соответствующее подразделение Банка уточняет у оператора, обслуживающего данного клиента, правильный счет последнего. Погашение облигаций будет производиться в долларах США.

За основу расчета суммы купона берется следующая формула:

$$CK = (FV \times C) / k, \text{ где}$$

CK – сумма купона,

FV – номинальная стоимость одной облигации,

C – годовая купонная номинальная процентная ставка, выраженная в процентах

k – число оплачиваемых за один год облигаций (при ежеквартальной выплате купонов k=4).

Накопление купона производится по следующей формуле:

$$AI = FV \times \frac{C}{K} \times \frac{DCS}{DCC}$$

AI – накопленный купонный доход,

FV – номинальная стоимость одной облигации,

C – годовая номинальная купонная ставка, выраженная в процентах,

k - число оплачиваемых за один год облигаций (при ежеквартальной выплате купонов k=4),

DCS – количество дней с даты оплаты купонов, предшествующей сделке, до даты сделки (settlement date) при условности расчета соответствующих дней,

DCC – количество дней с даты оплаты купонов, предшествующей сделке, до даты последующей сделки по оплате купонов при условности расчета соответствующих дней.

Условностью расчета дней для облигаций Эмитента считается 30/360, при этом:

$DCC = 360(Y2 - Y1) + 30(M2 - M1) + (D2 - D1)$

D2M2Y2 – дата осуществления сделки (settlement date);

D1M1Y1 – дата оплаты купона, предшествующая дате сделки, если по облигации купоны пока не оплачены, дата начала накопления купона.

$DCC = 360/k$

Общий объем облигаций, выпускаемых со стороны ОАО “Юнибанк”, составит 5,000,000 долларов США.

Датой погашения облигаций считается соответствующий день 24-ого (двадцать четвертого) месяца, последующего за датой начала размещения.

Реестр владельцев облигаций закрывается в день, предшествующий погашению облигаций, в 18:00, то есть, сумму погашения облигаций имеют право получить лица, зарегистрированные в реестре владельцев и/или держателей облигаций до момента закрытия реестра.

Погашение облигаций Банк производит в безналичной форме посредством зачисления на банковские счета, указанные в реестре владельцев облигаций. В случае если банковский счет неверный или полностью отсутствует, Банк в течение трех рабочих дней выплаты данным владельцам перечисляет в депозит нотариуса.

### **2.3.9 Краткая информация о новом выпуске:**

Именные облигации ОАО “Юнибанк” выпускаются согласно решению Совета Банка от 6-ого сентября 2019 года. Решением Совета Банка установлено, что со стороны ОАО “Юнибанк” досрочный выкуп и погашение облигаций не предусматривается. Решением Совета установлены также условия оплаты купонных доходов и погашения облигаций.

### **2.3.10 Описание ограничений свободной обращаемости ценных бумаг:**

Уставом эмитента или решением Совета Эмитента о выпуске облигаций каких-либо ограничений в отношении выпуска облигаций, а также инвесторов не установлено. После завершения размещения облигаций, по возможности в сжатые сроки, Банк обратится в ОАО Армянская фондовая биржа для листинга облигаций. Заявление о листинге облигаций может быть не удовлетворено со стороны Армянская фондовая биржа, в случае которого Банк объявит размещение недействительным. После получения разрешения на листинг и торговли облигаций, облигации Банка не могут покупаться и продаваться вне регулируемого рынка, за исключением случаев, предусмотренных нормативными правовыми актами Центрального Банка РА, а именно:

- сделки, заключаемые со стороны. это возможные сделки заключаемые между ЦБ РА и специализированными компаниями финансового рынка,

- выпущенные со стороны Эмитента сделки относительно приобретения или выкупа своих ценных бумаг.

В случае признания размещения недействительным суммы, полученные в процессе размещения подлежат возврату инвесторам в течение 10 рабочих дней после даты признания недействительным. Возврат сумм осуществляется посредством их перечисления на соответствующие счета, указанные клиентами в заявке на покупку. В случае возврата сумм, полученных в процессе размещения, по ним каких-либо процентов не начисляется и средства возвращаются инвесторам вместе с накопленными купонными доходами.

### **2.3.11 Полное и подробное описание порядка налогообложения доходов, получаемых по ценным бумагам.**

Лицо, инвестирующее в облигации, может получить прибыль в двух случаях:

- от процентов по облигациям (купонный доход) и
- от перепродажи облигации (дополнительный рост капитала).

Доходы, получаемые от облигаций Банка, подлежат налогообложению по следующим видам налогов:

- налог на прибыль
- подоходный налог

В Республике Армения налог на прибыль платят (налогоплательщики) резиденты Республики Армения и нерезиденты, кроме государственных управленческих учреждений РА, органов местного самоуправления РА, государственных не коммерческих организаций и ЦБ РА.

#### *Налогообложение юридических лиц – резидентов.*

Объектом налогообложения считается прибыль, получаемая на территории РА и вне ее пределов. Налогооблагаемая прибыль – это положительная разница между валовым доходом налогоплательщика и вычетами, установленными законом РА “О налоге на прибыль”.

Согласно закону РА “О налоге на прибыль” к числу валового дохода относятся проценты, получаемые за заем, и иные возмещения, доходы, получаемые от финансирования долгов или коммерческих сделок, прочих факторинговых операций. Сумма налога на прибыль для юридических лиц-резидентов рассчитывается ставкой в 20% относительно налогооблагаемой прибыли.

#### *Налогообложение юридических лиц – не резидентов.*

Объектом считается налогооблагаемая прибыль, получаемая от армянских источников. Согласно закону РА “О налоге на прибыль” к доходам, относятся также пассивные доходы не резидента, полученные от резидента или не резидента.



При этом, пассивными доходами считаются доходы, полученные нерезидентом исключительно от деятельности других лиц на территории РА путем вложения (предоставления) своего имущества или иных активов, т.е. дивиденды; проценты; роялти; прочие пассивные доходы. В РА налогообложение доходов, получаемых не резидентом от армянских источников, выполняет налоговый агент у источника дохода. В РА налоговые агенты из дохода не резидента в порядке, установленном законом РА “О налоге на прибыль” удерживают налог на прибыль по 10-процентной ставке у источника дохода.

Центром жизненных интересов считается место, где сосредоточены семейные или экономические интересы лица. В частности, считается, что центр жизненных интересов физического лица находится в Республике Армения, если там находится дом или квартира (где проживает его семья) и его (его семьи) личное или основное семейное имущество или основное место осуществления его экономической (профессиональной) деятельности.

#### *Налогообложение физических лиц – резидентов.*

Объектом налогообложения для резидента считается налогооблагаемый доход, подлежащий получению на территории Республики Армения и за ее пределами. Доходы, полученные по облигациям от роста капитала, не подлежат налогообложению, а для процентов подоходный налог рассчитывается по 10-процентной ставке. При оплате доходов физическим лицам подоходный налог удерживается (взыскивается) налоговым агентом. Удержание (взыскание) подоходного налога осуществляется в каждом случае оплаты процентов.

#### *Налогообложение физических лиц – не резидентов*

Объектом налогообложения является налогооблагаемый доход, полученный от армянских источников. Налогооблагаемый доход – это положительная разница между валовым доходом налогоплательщика и вычетами, установленный законом РА “О подоходном налоге”. Правила налогообложения доходов, полученных по облигациям и ставка, применяемая к подоходному налогу те же, что и для физических лиц – не резидентов. Налоговым агентом физических лиц не резидентов (по подоходному налогу), а также юридических лиц не резидентов (по налогу на прибыль) является Эмитент.

## **2.4 Сроки и условия предложения**

### *2.4.1 Общий объем выпуска именных облигаций Банка представлен ниже:*

<b>Количество выпущенных ценных бумаг</b>	200,000 штук в долларах США, 300,000 штук в драмах РА
<b>Номинальная стоимость единицы (валюта)</b>	100 USD , 10,000 драм РА
<b>Общая номинальная стоимость</b>	20,000,000 в долларах США, 3,000,000,000 драм РА

Окончательные условия выпуска, размещения, обращения и выкупа облигаций устанавливаются Советом Банка. Окончательные условия каждого выпуска ценных бумаг представляются в Центральный Банк и публикуются не позднее, чем за два дня до размещения. Окончательные условия каждого выпуска ценных бумаг эмитент обязуется опубликовать на своем веб-сайте.

2.4.2 День начала размещения облигаций устанавливается решением Совета Банка.

Оплата за покупку облигаций должна производиться в течение дня представления каждой заявки на покупку облигаций.

В случае выпуска облигаций в долларах США оплата за покупку облигаций считается произведенной надлежащим образом с момента зачисления денежных средств на открытый Банком долларовой банковский счет 24100336438700.

В случае выпуска облигаций в драмах РА оплата за покупку облигаций считается произведенной надлежащим образом с момента зачисления денежных средств на открытый Банком драмовый банковский счет 24100336627500.

Лица, представляющие заявку на покупку облигаций, должны быть осведомлены, что в случае неудовлетворения или частичного удовлетворения их заявок на покупку, оставление средств, уплаченных за приобретение облигаций, на специальном счету до момента их возврата в соответствии с условиями выпуска облигаций, не является нелегальным хранением средств или препятствием их возврата, и по ним проценты не начисляются.

В случае уплаты за приобретение облигаций посредством банковского перевода инвесторы обязаны за свой счет нести расходы, связанные с возможными банковскими комиссиями.

Заявки инвесторов, неосуществивших соответствующую уплату в установленный срок после представления заявки на приобретение облигаций, признаются недействительными.

2.4.3 Согласно закону РА “О рынке ценных бумаг”, Банк не предусматривает случаи и обстоятельства признания недействительным или продления предложения облигаций, а также размещения облигаций.

2.4.4 Подписка на облигации не будет произведена. Для покупки облигаций инвесторы должны заполнить и надлежащим образом доставить в Банк соответствующую заявку на покупку облигаций, которой заверяют свою готовность принять условия выпуска облигаций, и эти условия становятся обязательными для инвесторов. После заполнения заявки на покупку облигаций, но не позднее 16:00 того же рабочего дня, лицо, желающее приобрести облигацию, должно на предварительно открытый в ОАО “Юнибанк” транзитный счет произвести уплату за покупку соответствующего количества облигаций, указанного в бланке заявки. Облигации со стороны эмитента будут переведены на счета инвесторов в течение двух рабочих дня (по принципу T+2) после взимания соответствующей суммы.

Заявки на покупку облигаций, полученные после предусмотренного срока размещения облигаций, не могут быть удовлетворены.

Заявка на покупку облигаций считается доставленной надлежащим образом, если она доставлена посредством одного из нижепредставленных средств связи (или представлена собственноручно при визите в центральный офис Банка) и получено подтверждение о получении от адресата).

Адрес: РА, г. Ереван, община Кентрон, улица Чаренца, дом 12, номер 53, номер 1-5

ОАО «Юнибанк», Казначейство

Или по электронной почте: [broker@unibank.am](mailto:broker@unibank.am)

После удовлетворения соответствующих заявок-поручений инвесторы могут получить выписку о собственности ценных бумаг у Хранителя, обслуживающего счет их ценных бумаг или Оператора счета после уведомления Эмитентом удовлетворения их заявок-поручений.

Заявки на покупку со стороны инвесторов, не осуществивших соответствующей уплаты до установленного срока, являются недействительными и не участвуют в размещении. Кроме вышеуказанных случаев, после надлежащей доставки в Банк инвесторами заявок-поручений на приобретение облигаций, подтверждения в получении заявки-поручения Банком/получении уведомления и выполнения соответствующей оплаты, они не могут быть отозваны. Полученные после окончательного срока, предусмотренного для размещения облигаций, заявки-поручения не могут быть удовлетворены.

Бланк заявки на покупку облигаций со стороны юридических и физических лиц инвесторов представлен в Приложении 1 к Проспекту.

Физические и/или юридические лица, желающие участвовать в покупке облигаций, могут представить заявку на покупку более одной облигации.

Для покупки облигаций физические и/или юридические лица заполняют указанные в бланке заявки поля, заполнение которых является обязательным для обеспечения действительности заявки.

## **2.5 План Размещения**

Размещение облигаций будет осуществляться в соответствии с заявками на покупку облигаций и по очередности получения уплаты по ним, то есть, приоритетность имеет та заявка на покупку, уплата по которой была получена на открытый Банком транзитный счет раньше.

Согласно порядку размещения, частичное удовлетворение какой-либо заявки на покупку облигаций не является возможным.

В том случае, когда количество облигаций, указанных в представленной клиентом заявке на приобретение, превышает остаточное количество облигаций, предназначенных для размещения, заявка клиента на приобретение удовлетворяется частично в соответствии с остаточным количеством облигаций, а если несколько

клиентов одновременно представили заявки на приобретение в Головной офис и филиал, и количество облигаций, указанных в представленной заявке на приобретение, превышает остаточное количество облигаций, предназначенных для размещения, то заявки клиентов на приобретение удовлетворяются пропорционально.

Оплата за приобретение облигаций производится в течение дня представления каждой заявки-поручения о приобретении облигаций, однако не позднее чем 16.30 того же рабочего дня, в обратном случае заявки-поручения о приобретении облигаций считаются недействительными и не участвуют в размещении.

В случае размещения облигаций по системе Размещения Армянской Фондовой Биржи, лица, желающие приобрести облигации, предварительно осуществляют депонирование денежных средств согласно канонам организации размещения Ценных бумаг.

Результаты размещения именных облигаций Банка публикуются в течение 30 дней после даты завершения размещения на интернет сайте Банка: [www.unibank.am](http://www.unibank.am).

В период размещения облигаций преимущественного права на покупку не предусматривается.

Имеются ограничения по сумме приобретения облигаций, для долларовых облигаций минимальный объем покупки облигаций составляет 1000 долларов США, а для драмовых облигаций минимальный объем покупки облигаций составляет 1 млн драм РА.

Предложение адресовано физическим и юридическим лицам, в том числе квалифицированным и институциональным инвесторам. Банку не известно, в каком объеме акционеры Банка или члены руководящего органа Банка могут участвовать в предложении.

## 2.6 Цена предложения

2.6.1 Советом Банка номинальная стоимость долларовых облигаций, выпускаемых со стороны ОАО «Юнибанк» установлена в 100 долларов США, минимальное количество – 10 штук, а для драмовых облигаций, номинальная стоимость установлена в 10.000 драм РА, минимальный объем– 1,000,000 драм РА.

2.6.2 В процессе размещения и после размещения цена облигации будет определена по следующей формуле:

$$DP = \frac{C}{f} \sum_{i=1}^N \left( \frac{1}{\left(1 + \frac{y}{100 \cdot f}\right)^{i-1+t}} \right) + \left( \frac{100}{\left(1 + \frac{y}{100 \cdot f}\right)^{N-1+t}} \right)$$

$$t = \frac{DSN}{DCC}$$

DP – цена облигации

DSN – количество дней с даты погашения купона, последующей за осуществлением сделки, до даты осуществления сделки, при соответствующей условности.

DCC – количество дней с даты уплаты купонов, предшествующей сделке, до даты, последующей за осуществлением сделки по уплате купонов, при соответствующей условности.

f – периодичность уплаты купона (f=4 при ежеквартальной уплате)

N – количество остальных уплат купонов после даты осуществления сделки

Y – доходность до погашения

C – годовой купон за номинальную стоимость в 100 единиц.

За 2 дня до начала размещения на интернет сайте Банка будет опубликована цена размещения облигации, рассчитанная по вышеуказанной формуле - для всего периода размещения, по дням.

## **2.7 План размещения**

- 2.7.1 Договор об осуществлении гарантированного размещения не был заключен. Эмитент и Андеррайтер тоже юридическое лицо – ОАО Юнибанк. Эмитент/Андеррайтер с иными Андеррайтерами и/или группой не заключал договор о совместном размещении. Банк выступает также в качестве размещающего выпускаемых им облигаций.
- 2.7.2 Уплата за покупку облигаций осуществляется на открытый в ОАО Юнибанк долларовый счет 24100336438700 и драмовый счет 2410033662750.
- 2.7.3 Для регистрации и учета облигаций соответствующие счета открываются в Центральном Депозитарии Армении и у любого специализированного заимодержателя, лицензированного со стороны ЦБ РА, посредством открытия и обслуживания счета владельца ценных бумаг для владельца облигаций.
- 2.7.4 Адрес Депозитария РА, г. Ереван, М. Мкртчяна 56 (тел. +374) 60 615555). Оператором счета ведения реестра облигаций является ОАО Юнибанк. До приобретения облигаций инвесторы обязаны в депозитарии или у иного лицензированного субхранителя открыть личный депо счет учета ценных бумаг.

## **2.8 Разрешение на торговлю и организация торговли**

- 2.8.1 После завершения размещения облигаций на регулируемом рынке Банк предусматривает обратиться в ОАО Армянская фондовая биржа за разрешением на куплю-продажу размещенных облигаций на регулируемом рынке. По предлагаемым облигациям будет запрошено разрешение на торговлю. Запрос на разрешение на торговлю может быть и не удовлетворен. Банк также может подать заявку на двойной листинг облигаций в зарубежных странах, в том числе на фондовой бирже РФ. Заявка на листинг облигаций может быть также отклонена.
- 2.8.2 Банк в обязательном порядке заключит договор с ОАО Арменброк для пользования услугами создателя рынка (маркет мейкера) на вторичном рынке

(адрес: РА, г. Ереван 0018, Тигран Мец 32/1). Основные обязательства создателя рынка (маркет мейкера) будут установлены в заключаемом с ним договоре оказания услуг. Маркет мейкер в ОАО Армянская фондовая биржа осуществляет котировки облигаций.

## **2.9 Дополнительная информация**

- 2.9.1 Вовлеченные советники. В ходе подготовки данного Проспекта Эмитент не пользовался услугами иных советников.
- 2.9.2 Кроме исторических финансовых отчетов эмитента, представленных в данном Проспекте, которые подверглись аудиту независимыми аудиторскими обществами, прочая информация, представленная в данном Проспекте не подвергалась аудиту независимыми аудиторскими обществами.
- 2.9.3 В июне 2019 года международное рейтинговое агентство Moody's Investors Service подтвердило "Юнибанку" долгосрочный рейтинг по депозитам в национальной и иностранной валюте B2. Все рейтинги имеют прогноз "Стабильный".

### 3.1 Независимые аудиторы

Начиная с 2009 года независимая аудиторская проверка Банка осуществлялась аудиторской организацией ЗАО “Грант Торнтон”, который является членом “Грант Торнтон Интернейшнл”.

Адрес ЗАО “Грант Торнтон”: РА, г. Ереван, 0012, Вагаршяна 8/1,

Тел: +37410260954,

Факс: +374 (10) 260 961,

Интернет сайт: [www.gta.am](http://www.gta.am)

Директором-акционером организации является Гагик Гюлбудагян.

### 3.2 Рисковые Факторы

#### Общая характеристика

Управление рисками одно из важных составляющих целостной системы управления Юнибанка. Управление рисками в «Юнибанке» предусматривает комплекс взаимосвязанных мер и мероприятий, направленных на предупреждение и минимизацию потенциального ущерба Банку. Основная цель управления рисками заключается в том, чтобы дать возможность Юнибанку поддерживать сумму своих рисков на уровне риска, указанном в стратегическом плане Банка, и увеличить доходность капитала Банка.

#### Принципы управления рисками

Управление банковских рисков в «Юнибанке» основано на документах Базельского комитета, Общепризнанных принципах управления рисками (Generally Accepted Risk Principles — GARP), на законах и нормативных актах РА и ЦБ РА. Управление рисками осуществляется через постоянный процесс идентификации, измерения и мониторинга рисков в отношении пределов риска и других мер контроля. Процесс управления рисками имеет первостепенное значение для поддержания прибыльности Банка, и каждый сотрудник несет ответственность за риски, связанные с его деятельностью. Банк поощряет развитие культуры, которая способствует развитию знаний сотрудников в области управления рисками, в частности, путем организации соответствующих семинаров и тренингов.

#### Система управления рисками

В ходе своей деятельности Банк подвержен ряду финансовых рисков, которые включают в себя анализ, оценку, принятие и управление определенной степенью риска или комбинацией рисков. Банк подвержен кредитному риску, риску ликвидности и

рыночному риску, последний классифицируется на коммерческий и некоммерческий риски. Банк также подвержен операционным рискам.

Процесс независимого контроля рисков не включает связанные с бизнесом риски, такие как изменения среды, технологий и промышленности. Они контролируются в процессе стратегического планирования Банка.

Управление рисками включает в себя:

- достижение оптимального соотношения приемлемых рисков и стратегий развития,
- совершенствование процесса принятия решений по выявленным рискам, повышение ответственности
- оценка взаимодействия рисков
- расчет и оценка риска собственного капитала
- включение рисков в цену путем применения новой модели ценообразования в кредитах.

Банк использует механизмы для обеспечения доверия к процессу кредитования, для принятия коллегиальных решений по кредитованию, для тщательного изучения кредитных заявок, для установления необходимого контроля за целевым использованием кредитных средств, для обеспечения обязательств с высоколиквидными активами.

Чтобы минимизировать потенциальные потери и риски, Банк придает приоритетное значение своим кредитным клиентам. Используя информацию из базы данных кредитного реестра ЦБ РА, Банк также выдает кредиты клиентам, которые имеют положительную историю кредитных обязательств перед банковской системой. При кредитовании крупных предприятий Банк проводит консервативную политику, при этом большинство активов размещаются в секторах с относительно низким уровнем риска в краткосрочной и среднесрочной перспективе. С этой целью Банк регулярно проводит экономический анализ. Кредиты, как правило, предоставляются в первую очередь организациям, имеющим текущий счет в Банке. Изучив и проанализировав денежные потоки клиента, Банк принимает решение о предоставлении кредита.

Управление банковскими рисками Банк видит эффективное управление, планирование, выявление рисков и оценку активов и обязательств, а также реализацию превентивных мер в соответствии с выявленными рисками. С этой целью Банк продолжает управлять всеми статьями баланса, прогнозируя их посредством ежедневного мониторинга, устанавливает лимиты на активные и пассивные операции в соответствии с рисками в Банке, периодически анализирует процессы риска и предлагает соответствующие решения.

Касаемо управления кредитным риском, Банк стремится сформировать эффективный кредитный портфель путем объединения показателей риска и доходности с целью увеличения ставки диверсификации кредитного портфеля Банка, установления кредитных линий / инструментов / лимитов, которые включены в инвестиционную политику Банка, а также продолжать улучшение процесса кредитования.



Целью Системы управления рисками является содействие Банку в поддержании уровня общего риска, возникающего в результате его операций, в рамках его стратегических целей. Основной целью системы управления рисками является максимизация целостности активов и капитала Банка, а также минимизация всех рисков, присущих банковской деятельности, которые могут привести к непредвиденным убыткам. Для достижения своей цели система управления рисками применяет комплексный системный подход, который решает следующие вопросы:

- выявить и проанализировать все риски, возникающие в процессе банковской деятельности;
- определить подход по разным рискам (риск-аппетит),
- провести качественную и / или количественную оценку каждого типа риска;
- провести всесторонний анализ уровня риска уже выполненных и запланированных операций, для определения совокупного объема банковских рисков;
- оценить допустимую степень и обоснование суммарных / денежных рисков.

«Политика управления рисками» Банка руководствуется законодательством РА, нормативными актами ЦБ РА, правилами, соответствующими документами Базельского комитета, Общепринятыми принципами риска (Generally Accepted Risk Principles - GARP). Учитывая характер и масштабы операций Банка, в Банке особое внимание уделяется следующим ключевым рискам:

- КРЕДИТНЫЙ РИСК
- ПРОЦЕНТНЫЙ РИСК
- ВАЛЮТНЫЙ РИСК
- РИСК ЛИКВИДНОСТИ
- ОПЕРАЦИОННЫЙ РИСК

Кредитный риск это ухудшение финансового состояния заемщика, в результате чего становится невозможным исполнение обязательств и появляется риск невозврата кредита. Различные методы анализа и отчетности кредитных портфелей, а также политика диверсификации кредитного портфеля и стресс-тесты повышают эффективность управления кредитными рисками. Банк, имея действующую систему управления рисками, надлежащим образом управляет характерными кредитными рисками в рамках приемлемого для него риск-аппетита.

### **Кредитный риск**

Банк подвержен кредитному риску, который представляет собой тот риск, что другая сторона сделки в результате невыполнения договорных обязательств приведет к финансовым потерям Банка. Невыполнение договорных обязательств заемщиками

Банка может оказать существенное влияние на деятельность Банка и привести к дополнительным расходам, которые окажут негативное влияние на прибыль Банка.

Кредитный риск является наиболее важным риском в деятельности Банка, поэтому руководство контролирует его более тщательно.

Кредитные риски возникают, в основном, от деятельности кредитования, направленной на предоставление кредитов и займов, а также от инвестиционной деятельности, ведущей к увеличению долговых и иных ценных бумаг в портфеле активов Банка. Кредитный риск присутствует также во внебалансовых финансовых инструментах, таких как, например кредитные обязательства и обязанности, вытекающие из сопутствующих договоров обеспечения (залог, поручительство, гарантия и т.д).

Функции по управлению кредитным риском и надзору выполняются Группой управления кредитными рисками, Департамента управления рисками Банка и Кредитного подразделения, которые отчитываются Совету и Правлению.

Балансовая стоимость финансовых активов Банка наилучшим образом отражает максимальный уровень кредитного риска, без учета какого-либо обеспечения или другого кредитного страхования.

Кредитный портфель Юнибанка достаточно диверсифицирован и не содержит крупных концентраций. Приоритетными направлениями кредитования являются кредитование физических лиц и малого и среднего бизнеса. Однако в портфеле Банка есть неработающие активы, которые могут быть источником потенциальных убытков.

Согласно анализу риска кредитного портфеля банка, по состоянию на 30.06.2019г. портфель имеет следующую структуру:

тыс. драм РА

Активы	Работающие активы		Неработающие активы		
	Низкий риск		Средний риск		Высокий риск
Кредиты, в том числе					
1. Для резидентов РА	101,932,232		2,024,118		36,093,038
2. Для резидентов СНГ	8,752,481				2,421,650
Итого	110,684,713		2,024,118		38,514,688

В то же время показатели кредитного риска банка следующие:

Резерв по кредитам/общие кредиты = 10.66 %

Неработающие кредиты/общие кредиты = 16.25%

Резерв на неработающие кредиты /Общий капитал = 32.13%

Специальный резерв возможных потерь/ Неработающие кредиты = 38.96%

Показатель покрытия прибыли (чистые операционные доходы + расходы на формирования резерва)/чистый убыток от кредитов = 42.51%

Чистая процентная маржа с учетом риска кредита = 3.84%.

Банк регулирует уровни кредитного риска, устанавливая лимиты на величину кредитного риска, приемлемого для отдельного заемщика или группы заемщиков, а также для секторальных или географических сегментов кредита.

Такие риски регулярно отслеживаются и управляются на ежегодной или более частой основе. В зависимости от типа кредита, товарных секторов и стран, лимиты кредитного риска утверждаются и, при необходимости, рассматриваются со стороны Совета Банка.

Кредитный риск также управляется путем периодического анализа способности заемщиков и потенциальных заемщиков погашать основную сумму и процентные платежи и, в случае необходимости, проводятся корректировки лимитов кредитования. В целях снижения процентного риска Банк считает целесообразным продолжить работу с фиксированными процентными ставками, что позволяет эффективно управлять ценообразованием активов и обязательств. Для оценки и ограничения процентного риска Банка, учитывая имеющиеся на рынке процентные ставки, Банк производит их оценку и приводит в соответствие с показателями, действующими на рынке, постоянно контролирует разрыв по срокам между чувствительными к процентной ставке активов и обязательств, а в случае изменения рыночных процентных ставок быстро реагируя, минимизирует риск возможных потерь для Банка в результате этого изменения.

С точки зрения управления валютным риском Банк стремится воздерживаться от валютных рисков и в основном ведет политику инвалютной закрытой позиции. Валютный риск сдерживается скомбинировав управление валютных позиций (как валовой, так и чистой) и прогнозы поведения рынка. В целях снижения риска Банк реализует политику управления активами и пассивами, которая позволяет максимально обеспечивать обязательства в иностранной валюте с соответствующими активами в иностранной валюте. Банк, принимая во внимание определенные рыночные ситуации, анализируя денежно-кредитную политику ЦБ РА, не исключает возможности хеджирования или торговли производными инструментами в областях с минимальным риском, насколько это возможно, путем изучения финансового положения партнеров в соответствии со стандартами, установленными внутренними нормативными актами Банка.

### **ПРОЦЕНТНЫЙ РИСК**

Процентный риск возникает из-за неблагоприятных колебаний процентных ставок на финансовых рынках. Практически все активы и обязательства Банка имеют фиксированные процентные ставки. Однако в этом случае могут возникнуть риски из - за несоответствия сроков активов и обязательств Банка. Для оценки процентного риска используется анализ GAP и метод дюрации. Для сдерживания указанных рисков в Банке действует соответствующая ценовая политика для снижения риска.

### **ВАЛЮТНЫЙ РИСК**

Валютный риск может возникнуть из-за неблагоприятных колебаний обменного курса. Для оценки валютного риска банк использует метод VAR /value at risk/ и анализ GAP, а также различные стресс-тесты для оценки влияния валютного риска на прибыльность

банка и экономические нормативы. Согласно анализу валютный риск банка был оценен на низком уровне.

## **РИСК ЛИКВИДНОСТИ**

Ликвидность Банка – это способность исполнять свои финансовые и другие обязательства в установленные сроки, а риск ликвидности – это риск возможных потерь в результате неспособности в полном объеме погасить обязательства. Риск ликвидности возникает из-за несоответствия потоков финансовых активов и обязательств и/или, в незапланированных случаях (шок), возникает в результате необходимости мгновенным и единовременным образом оплатить свои обязательства.

Для управления ликвидностью Банк руководствуется следующими принципами:

- управление ликвидностью производится на ежедневной и постоянной основе,
- разграничения прав, обязанностей и ответственностей между подразделениями Банка,
- лимитирование уровня ликвидности в соответствии с объемами и особенностями деятельности Банка.

С целью управления риском ликвидности особое внимание уделяется применению стресс-тестов, когда оценивается воздействие неожиданных (раньше срока) оттоков привлеченных средств на нормативы ликвидности.

## **ОПЕРАЦИОННЫЙ РИСК**

Операционный риск - это вероятность возникновения потерь в результате внешних факторов, внутренних процессов, систем и человеческого фактора, что может иметь отрицательное влияние на прибыль и/или капитал банка.

Для достижения поставленных целей и задач в управлении операционным риском Банк применяет следующие методы и принципы.

«Модель трех линий защиты» включает основные три уровня защиты:

1. Непосредственная ответственность сотрудников в процессе деятельности.
2. Функции контроля и управление рисками (дирекция по управлению рисками, внутренний аудит).
3. Стратегический контроль за рисками (Совет и Правление Банка).

Для эффективного управления операционным риском Банк применяет следующие принципы:

- Внедрение эффективной системы для выявления, анализа, классификации и мониторинга операционного риска,
- Внедрение предельного лимита системы,
- Внедрение системы для доступа и принятия решений,
- Внедрение технологической системы,

- Внедрение системы эффективного контроля.

### **3.3 Информация об эмитенте**

#### **История и развитие Эмитента**

ОАО Юнибанк (отныне «Банк» или «Юнибанк») был основан в октябре 2001 года как закрытое акционерное общество. В качестве банка Юнибанк был зарегистрирован 09.10.2001г. (Свидетельство о регистрации № 0373 и Лицензия о банковской деятельности № 81 от 10.10.2001г, утвержденная решением Совета Центрального Банка РА N260 от 09.10.2001 года). По решению годового Общего Собрания акционеров от 12 марта 2015 года, Банк был реорганизован, и сейчас организационно-правовая форма Банка является открытым акционерным обществом.

Юнибанк является зарегистрированным владельцем следующих торговых марок в Армении:



Дата регистрации: 07.08.2002г.

Регистрация действительна до 30.11.2021г.

Дата регистрации : 6906

#### **Unistream Money Transfer**

Дата регистрации: 07.08.2002г.

Регистрация действительна до 30.11.2021г.

Дата регистрации: 6907

Юнибанк является крупнейшим агентом денежных переводов системы Юнистрим в Армении.

Юнибанк является неотъемлемой частью банковской системы Армении с сильной позицией на рынке. За эти годы Юнибанк заслужил высокую репутацию в Армении и в настоящее время является одним из ведущих банков в Армении.

Являясь участником системы денежных переводов Unistream, Юнибанк также осуществляет денежные переводы. Юнибанк был единственным агентом Юнистрим в Армении до 2012 года, на его долю приходилось более 50% денежных переводов, полученных в Армении. В целях укрепления своих позиций на рынке, в 2012 году Юнибанк начал предлагать свои услуги через другие банки в Армении. В 2014 году Банк начал сотрудничество с международной системой денежных переводов Intel Express.

В целях быстрой и эффективной обработки коммунальных платежей всем клиентам Юнибанка предоставляются бесплатные платежные карты UNIPAY со всей необходимой информацией.

### **Значимые события**

В 2002 году Юнибанк задействовал международную систему денежных переводов Unistream, которая является одной из передовых в Армении в сфере денежных переводов.

В 2003 году Юнибанк получил членство в платежной системе «ArCa».

В 2004 году Юнибанк получил членство в международной платежной системе Visa.

В 2005 году Банк начал активную выдачу ипотечных кредитов и автокредитов, с выходом, соответственно, на второе и первое места на местном рынке.<sup>2</sup>

В 2006 году Банк стал участником в Программе IFAD (Международный фонд сельскохозяйственного развития), также в Программе развития малых и средних предприятий (SMEDNC)

В 2007 году Банк запустил программу управления по рискам совместно с ABN AMRO BANK.

В 2008 году Банк получил членство в фондовой бирже РА. Юнибанк задействовал серверную группу типа Blade, тем самым в Банке был внедрен международный опыт применения современных технологий.

В 2009 году филиальная сеть Юнибанка была подключена к главной базе данных, и сегодня все филиалы Банка работают в режиме online.

В 2010 году Банк получил рейтинг от Международного рейтингового агентства Moody's – финансовая устойчивость E+, долгосрочный рейтинг Ba3, прогноз стабильный.

В 2011 году Банк принял участие в Программе финансирования торговли Азиатского банка развития, в рамках которой предпринимателям были предоставлены аккредитивы и банковские гарантии.

В 2012 году Банк получил награду “Лучший диллинг Банк 2012” от международной корпорации Thomson Reuters. Юнибанк был включен в список 100 крупных налогоплательщиков Армении.

В 2013 году Банк заключил договор с международной финансовой корпорацией (IFC) и Черноморским Банком Торговли и Развития (BSTDB) на привлечение кредитных средств для развития кредитования МСБ. В том же году Юнибанк присоединился к Американской Торговой Палате (AmCham), которая объединяет порядка 100 ведущих представителей бизнес сообщества в Армении.

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<sup>2</sup> Рэнкинг банков РА, **АРМИНФО**™ ИНФОРМАЦИОННОЕ АГЕНТСТВО, 2006г

В 2014 году Банк осуществил внедрение системы международных денежных переводов Intel Express. Банк также внедрил систему информационной безопасности ISO 27001:2013. В том же году была внедрена индивидуальная услуга Unibank Prive.

В 2015 году Raiffeisen Bank International присудил Юнибанку премию "Превосходство качества" (RBI STP Quality Awards) за обеспечение высокого качества переводов SWIFT.

По решению годового общего Собрания акционеров от 12 марта 2015 года, Банк был реорганизован, и сейчас организационно-правовая форма Банка является открытым акционерным обществом.

С 1-ого июля 2015 года ОАО Юнибанк стал членом системы учета ценных бумаг, благодаря чему Банку присвоен статус оператора счёта депозитарной системы Армении и члена расчётной системы регулируемого рынка.

Юнибанк – первая в Армении компания, которая осуществила размещение акций посредством первичного публичного предложения (IPO). Решение о выпуске акций было обусловлено стратегией обеспечения качественно нового уровня развития Юнибанка и для становления народным банком.

Сегодня Юнибанк один из крупнейших универсальных кредитных организаций Армении, работающий на классических стандартах банковского дела и новейших технологиях, предлагающий своим клиентам широкий спектр современных банковских продуктов и услуг. Основной стратегической целью Юнибанка является развитие розничного направления и содействие малому и среднему бизнесу. По состоянию на 30.06.2019г. Юнибанк обслуживает более 350,000 клиентов.

ОАО "Юнибанк" совместно с немецко-армянским фондом и немецким банком KfW начал новую программу бизнес-кредитования, нацеленную на повышение энергоэффективности предприятий.

Участники программы смогут не только получить бизнес кредиты на выгодных условиях, но и существенно сократить энергозатраты на предприятиях.

Юнибанк был признан "Партнером года" на международной конференции "Банк будущего 2016", состоявшейся в Афинах в декабре.

Юнибанк по итогам 2016 года прошел сертификационный аудит соответствия требованиям стандарту PCI DSS 3.2 (PCI Data Security Standard) и получил сертификат PCI DSS 3.2.

PCI DSS являющийся одним из лучших стандартов безопасности данных, разработан международными платежными системами с целью совершенствования технологий защиты сделок, совершаемых посредством карт.

Автоматизация процесса обработки заявок на беззалоговые кредиты микробизнесу позволила "Юнибанку" принимать решение по кредиту за считанные минуты. Кредитный конвейер построен на базе новейшей CRM-системы, разработанной компанией "Протобэйз Лабораториз".

Юнибанк" - первый банк в Армении, который успешно прошел процедуру аттестации на соответствие требованиям стандарта безопасности платежной системы SWIFT.

Unibank Privé был удостоен награды в премии SPEAR'S Russia Wealth Management Awards 2018 за лучший клиентский сервис private banking в странах СНГ.

Юнибанк и голландский банк FMO осуществили новую кредитную программу в \$10 млн "Женщины в бизнесе", в рамках которой женщинам-предпринимателям предоставляются кредиты.

Юнибанк представил направление Private Banking на IV Международном форуме SKYSERVICE 2019, который прошел 24-25 апреля в Москве.

Юнибанк Privé предлагает VIP-клиентам эффективное управление частным капиталом и финансовое планирование. Специалисты Банка окажут полное сопровождение не только во всех финансовых вопросах, но и в услугах Lifestyle Management.

Конференция Caucasus SME Banking Club Conference 2019 прошла в Тбилиси 16-17 мая. В рамках конференции участники обсудили мировые тренды и инновации в сегменте финансирования МСБ. По завершению конференции SME Banking Club наградил Юнибанк сертификатом в числе самых инновационных банков 2018 года.

ОАО «Юнибанк» - динамично развивающийся и один из наиболее востребованных банков Армении, предлагающий клиентам широкий спектр услуг. За 18 лет работы Банк завоевал доверие широких сегментов населения и приобрел безупречную деловую репутацию среди партнёров. Сегодня Банк представлен 51 филиалом и головным офисом, в Москве (РФ) действует представительство «Юнибанка». Выгодные условия и инновационный подход в разработке финансовых продуктов в соответствии с ожиданиями рынка и качественное обслуживание способствуют установлению взаимовыгодного и долгосрочного сотрудничества с клиентами, а также упрочнению ведущих позиций как на розничном, так и на корпоративном банковском рынке Армении. Основной стратегической целью «Юнибанка» является развитие розничного бизнеса, направления Private Banking и содействие малому и среднему предпринимательству.

### **Наши ценности**

- внимательное и честное отношение к клиентам
- сильный командных дух и результативность
- доверие общества
- высокая узнаваемость бренда



- надежность и стабильность

## **Мы стремимся**

- укрепить свои позиции и увеличить долю на финансовом рынке
- обеспечить высокую культуру банковского обслуживания
- повысить доступность востребованных и высокотехнологичных банковских услуг
- внедрить прозрачную модель ведения бизнеса и лучшую практику корпоративной культуры
- повысить инвестиционную привлекательность банка

## **Головной офис**

Основным местом деятельности Юнибанка является головной офис, в котором работают сотрудники Финансовой Дирекции, Дирекции по управлению рисками, Дирекции по продажам и развитию розничного и корпоративного бизнеса, Дирекции по операционному обслуживанию и информационным системам, управления персоналом и т.д.

## **Инвестиции**

- а) Существенные инвестиции, произведенные в течение истекшего финансового периода и после этого до момента представления проспекта на регистрацию, не были осуществлены существенные инвестиции.
- б) Не имеются существенные инвестиции в процессе.
- в) Не имеются будущие существенные инвестиции, для осуществления которых соответствующие органы управления эмитента взяли обязательство.

## **3.4 Описание бизнеса**

Придерживаясь принципов утвержденной кредитной политики, Банк продолжал диверсификацию кредитного портфеля, увеличивая удельный вес розничных и МСБ кредитов в кредитном портфеле Банка. При выборе сегмента кредитования Банк руководствовался следующими критериями: юридические лица, имеющие налаженный бизнес, стабильный и прогнозируемый ежемесячный приток денежных средств, физические лица, имеющие средний и высокий уровень доходов.

При кредитовании крупных компаний Банк вел сдержанную политику, в основном активы краткосрочно распределялись в сравнительно низкорисковых отраслях. С этой целью Банк периодически проводил анализ отраслей экономики, а также для выполнения плановых показателей по кредитованию МСБ были осуществлены работы по разработке скоринговой модели по кредитованию МСБ, автоматизации утверждения заявок по кредитам МСБ, повышению квалификации сотрудников филиала, ответственных за кредитование МСБ.

## Структура кредитного портфеля Банка

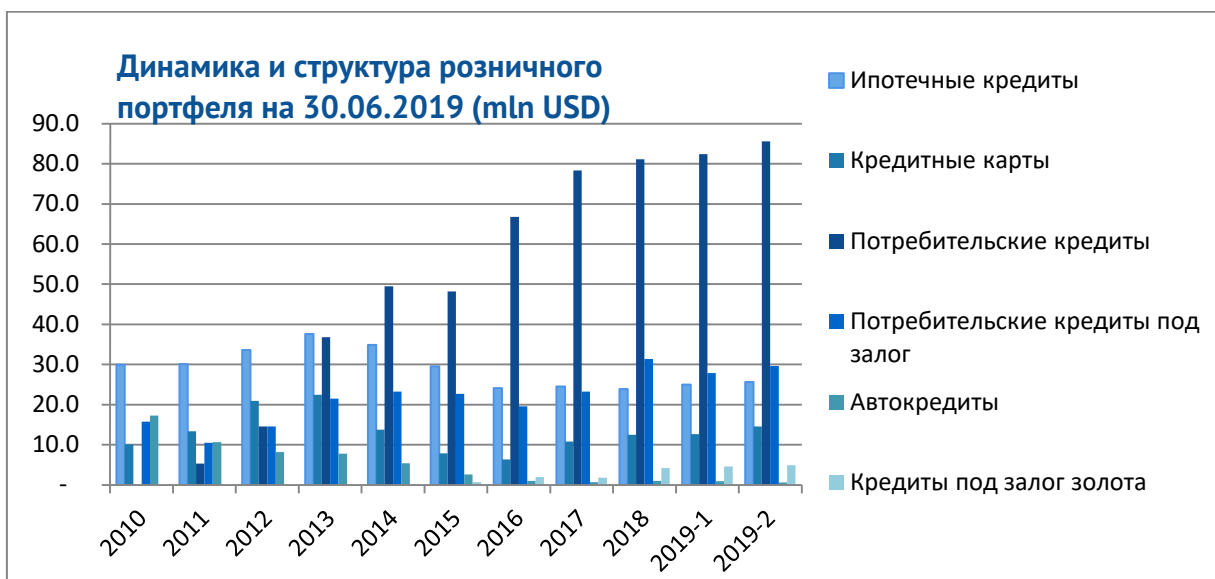


### Розничный бизнес

Работа Банка в розничном бизнесе была направлена на совершенствование продуктовой линейки, оптимизацию бизнес процессов, повышение качества обслуживания посредством усиления обратной связи с клиентами.

Объем розничного кредитного портфеля по результатам 1-ого полугодия 2019 года по сравнению с 2018г. вырос на 22%, а количество кредитов на 8%.

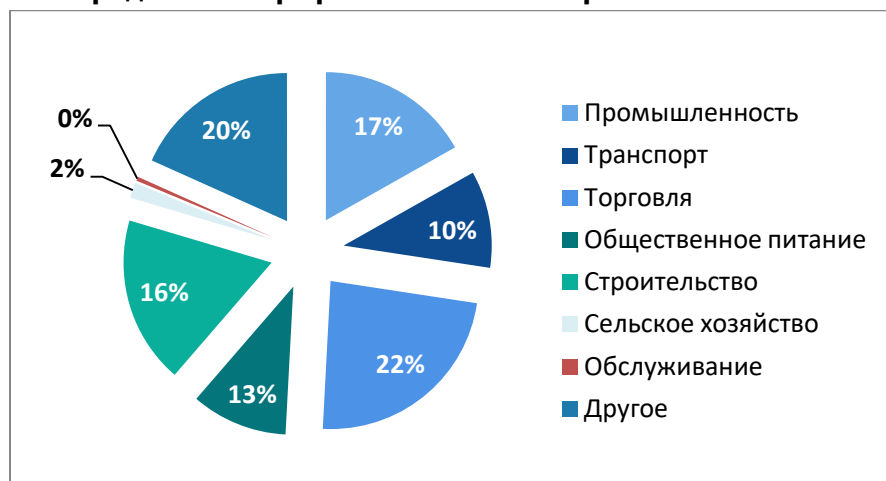
В рамках политики регулятора по снижению процентной ставки кредитования Банк предлагал клиентам более привлекательные условия. Устойчивые темпы роста продемонстрированы по потребительским кредитам на приобретение товаров и бытовой техники, кредитов под залог золота. Банк продолжал политику снижения стоимости фондирования, устанавливая умеренные ставки по срочным депозитам.



### Корпоративный бизнес

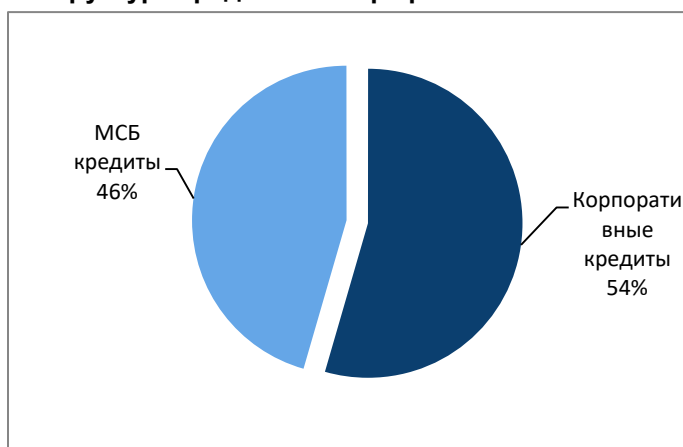
В рамках стратегии развития микро и малого бизнеса во 2-ом квартале 2019 года Юнибанк продолжил активные действия по повышению доступности кредитных средств для данного сегмента. Ориентируясь на нишевые сегменты, усилия корпоративного блока были активно направлены на финансирование отрасли строительства, обслуживания, в том числе гостиничного и ресторанного бизнеса.

### Кредитный портфель МСБ по секторам за 30.06.2019



Голландский Банк Развития FMO выделил Юнибанку кредитные средства в размере 10 млн долларов США для реализации программы “Женщины в бизнесе”.

### Структура кредитного портфеля за 30.06.2019



### Филиальная сеть, клиентская база

По состоянию на 30.06.2019г. филиальная сеть Юнибанка включает 51 филиал по Армении и Арцаху, 114 промо-точек, 122 банкоматов, 140 платежных терминалов. В Москве действует представительство Банка, которое содействует в привлечении зарубежных клиентов. За год Банк обслужил более 356.000 клиентов, из которых 353.000 розничных.

В сфере услуг денежных переводов наблюдается незначительное изменение объемов, что обусловлено аналогичными объемами получаемых через Банк международных некоммерческих переводов физических лиц.

### Иные услуги

Unistream - это система денежных переводов, которая осуществляет переводы по всему миру, без необходимости открытия клиентом банковского счета. Юнибанк является агентом системы Unistream, следовательно, может предложить услуги по переводу и получению наличных денежных средств в своих филиалах. Юнибанк

предлагает своим клиентам также получить денежный перевод Unistream по карте, не посещая филиал по телефону. Юнибанк осуществляет денежные переводы в долларах США, евро и рублях. С целью укрепления своей рыночной позиции Unistream с 2012 года начал предлагать свои услуги и через другие банки Армении.

### **Unibank Privé**

Юнибанк расширяет возможности своих клиентов и предлагает индивидуальное обслуживание - Unibank Privé в сфере частного банкинга. В рамках данной системы обслуживание клиентов осуществляется на высшем уровне в современном, удобном офисе в центре Еревана. Клиентам, имеющим соответствующий уровень дохода и статус, Банк предлагает полноценные финансовые решения, которые включают систематический подход к управлению капиталом, эффективное финансовое планирование и разработку инвестиционной стратегии. На всех этапах обслуживания с клиентом работает индивидуальный финансовый менеджер, который, будучи опытным специалистом, готов оказать поддержку в любой ситуации. Клиент Unibank Privé может в любой момент обратиться и назначить встречу с индивидуальным менеджером. Безопасность и конфиденциальность всех сделок гарантированы. Кроме комплексного пакета банковских услуг, клиенты Unibank Privé также получают ряд дополнительных возможностей и услуг. Карта Priority Pass предоставляет доступ к 700 VIP-зонам аэропортов 120 стран, предоставляя клиенту возможность комфортно ждать своего полета. Для выгодного роуминга Банк также бесплатно предоставляет SIM-карту путешествия для обеспечения быстрой и качественной связи во время путешествия.

### **Дилинг ценных бумаг**

- По части ценных бумаг Банк размещает свои средства в основном в государственных (казначейских) облигациях РА и евробондах РА. Эти продукты позволяют Банку получить стабильную доходность, обеспечивая необходимыми денежными средствами в любой момент. Для банка предпочтительнее 90-95% портфеля государственных облигаций сформировать/ хранить долгосрочными государственными облигациями. В случае избыточной ликвидности Банк планирует приобрести государственные краткосрочные облигации. Инвестиции в краткосрочные облигации осуществляются в соответствии с обязательствами, вытекающими из договора о совершении операций Дилера, а также в случае более прибыльного размещения краткосрочных избыточных средств. Долгосрочные облигации планируется в дальнейшем продать при наличии доходной процентной ставки.
- Банк, исходя из определенных ситуаций на рынке, анализируя политику ЦБ РА и Министерства финансов, связанную с ревальвацией или девальвацией драма, с целью хеджирования или торговли осуществляет производные операции в минимально рискованных областях, изучая финансовое положение партнеров в соответствии с критериями, установленными соответствующими внутренними положениями Банка.

- В случае его применения Банк примет стратегию осуществления производных операций. Проведение своп операций будет обусловлено управлением денежными средствами Банка, а также ожиданием получения дохода.
- Будучи осведомленным о наличии сравнительно более выгодных условий по части некоторых услуг, предлагаемых конкурирующими банками, Банк пытается сопоставить свое предложение в различных сферах с благоприятными условиями других услуг и, комплексно представляя их клиентам, ориентировать их и способствовать принятию решения.

### **Основные средства банка**

Юнибанку на правах собственности принадлежит недвижимость, расположенная в РА, г. Ереван, Киевян 10, 8/63, балансовая стоимость которого составляет около 10.71% от общей балансовой стоимости основных средств Банка.

## **3.5 Последние тенденции развития**

Ожидается, что в ближайшие годы макроэкономическая ситуация в Армении будет характеризоваться экономическим ростом. Основными секторами экономики, способствующими росту ВВП, станут обрабатывающая промышленность, информационный сектор, сельское хозяйство. Учитывая вышесказанное, ожидается, что темпы роста Юнибанка будут динамичными, качество активов улучшится, процентные ставки останутся в основном стабильными с некоторой тенденцией к снижению.

Активы составили 222.5 млрд драм увеличившись на 12,7 млрд драм по сравнению с показателем конца предыдущего финансового года. По результатам 2019 года кредитный портфель Банка составил 135,1 млрд драм, по сравнению с 2018 годом портфель вырос на 0,61%, занимая девятое место в банковской системе.

Объем обязательств составил 189.5 млрд драм, увеличившись на 12.2 млрд драм по сравнению с показателем конца предыдущего финансового года.

Депозитный портфель составил 160.3 млрд драм, увеличившись по сравнению с предыдущим годом на 5.9%. Последний в основном обеспечен за счет средств до востребования, привлеченных от юридических лиц.

Портфель облигаций банка составил 9 млрд драмов вместо запланированных 11 млрд драмов в связи с отсрочкой эмиссии облигаций в сентябре из-за избытка ликвидности и тенденции повышения процентных ставок по привлекаемым ресурсам.

Доход от операций в иностранной валюте в 2019 году составил 695 млн драм. В 2019 году комиссионные доходы составили 1,374 млрд драм, что на 127,8%, или 756 млн драм РА больше по сравнению с 2018 годом.

Портфель по розничному бизнесу увеличился на 2,2 млрд драм или на 2,9% по сравнению с предыдущим годом благодаря активному предоставлению потребительских и карточных кредитов.

Портфель ипотечных кредитов увеличился на 58 млн драм или на 0,5% по сравнению с предыдущим годом, объем потребительских кредитов без залога увеличился на 785 млн драм РА или на 2%, в том числе портфель кредитов на приобретение бытовых товаров уменьшился на 1,8 млрд драм или на 10%. Потребительские кредиты под залог увеличились на 595 млн драм или на 4,4%, портфель автокредитов уменьшился на 144 млн драм или на 33%, объем карточных кредитов увеличился на 3% составив 7 млрд драм, также, потребительские кредиты под залог золота увеличились на 104 млн драм или на 4,6%.

### Капитал Банка

Показатель норматива адекватности капитала за июнь составил 14.65%. Данный показатель превышает минимальный уровень установленный со стороны ЦБ РА (12%). Нормативный капитал Банка на 30.06.2019г. составил 30,393,957 тыс. драм РА, что, в основном обусловлено погашением субординированного займа на сумму 242 млн драм РА.

### Доходы/расходы

По состоянию на 30.06.2019г. процентные и аналогичные доходы Банка составили 9,538,573 тыс. драм, что примерно на 1,371,411 тыс. драм ниже соответствующего показателя за аналогичный период предыдущего года. По состоянию на 30.06.2019г. процентные и аналогичные расходы Банка составили 4,602,852 тыс. драм, что на 284,906 тыс. драм меньше по сравнению с аналогичным периодом прошлого года.

Процентный и аналогичный доход/ прибыль		Отчетный период (01.01.2019-30.06.2019)	Предыдущий период (01.01.2018-30.06.2018)
	Процентный доход с текущих счетов Банка, размещенных в банках и других финансовых организациях вкладов и кредитов	424,925	77,230
	Процентный доход с данных клиентам кредитов и заемов	12,784,498	14,463,017
	Процентный доход с долговых ценных бумаг	887,452	999,926
	Процентный доход с Репо договоров		901
	Процентный доход от государственных процентных ценных бумаг, удерживаемых до погашения	805	81,002
	Доход от факторинга		
	Начисленные проценты по активам обесценным индивидуальным образом		
	Другие процентные доходы	33,120	10,466
	<b>ВСЕГО</b>	<b>14,130,800</b>	<b>15,632,542</b>
Процентные и подобные расходы		Отчетный период	Предыдущий период

	(01.01.2019-30.06.2019)	(01.01.2018-30.06.2018)
Процентные расходы за текущие счета Банка, привлеченные из банков и других финансовых организаций вклады и кредиты	(430,030)	(284,700)
Процентные расходы за срочные вклады и текущие счета клиентов	(5,673,667)	(6,261,702)
Процентные расходы за Репо договоры	(137,184)	(101,221)
Процентные расходы от производных инструментов	(11,828)	(2,207)
Процентные расходы по процентным ценным бумагам, выпущенным предприятием	(408,496)	(223,007)
Кредиты Правительства	(194,240)	(236,661)
Финансовый лизинг	(89,441)	
Другие процентные расходы		
<b>ВСЕГО</b>	<b>(6,944,886)</b>	<b>(7,109,498)</b>
<b>Чисто процентный и аналогичный доход</b>	<b>7,185,914</b>	<b>8,523,044</b>

Чистая прибыль Банка за 6 месяцев составила 533 млн драм РА.

### Стратегические приоритеты на 2019 год

- Увеличение объемов розничного банкинга и оказание услуг малым и средним предприятиям с акцентированием на высокодоходные сегменты;
- Автоматизация бизнес процессов, повышение их эффективности;
- Расширение облигационной программы с увеличением удельного веса облигаций в структуре обязательств Банка до 10%, котировка облигаций на зарубежном рынке;
- Внедрение современных технологий и методов управления;
- Повышение уровня удовлетворенности и лояльности клиентов;
- Обеспечение финансовой результативности и улучшение позиций Юнибанка в банковской системе

Со стороны Юнибанка сформулированы ключевые приоритеты развития на 2019 год.

В рамках выбранной стратегии Банк поставил перед собой задачу добиться следующих результатов:

- Доведение объема активов и обязательств соответственно 233 и 198 млрд драм РА, что подразумевает процентный рост соответственно 11% и 12%. Рост кредитного портфеля на сумму 14.5 млрд драм РА или на 11% (приоритетной задачей является повышение доходных активов Банка в общих активах, из которых рост объема бизнес портфеля на 10.7 млрд драм РА или на 18 %, рост



объема позничного портфеля на 3.8 млрд драм РА или на 5 % до конца 2019 года,

- В случае обеспечения всех бизнес задач Банк планирует обеспечение чистой прибыли в 2019 году на 2.375 млрд драм РА,
- Обеспечение ROE на 7-8% в течение 2019-2021гг,
- В 2019 году помимо укрепления рыночной позиции банка и увеличения роста по объемам главная задача Банка улучшение качество кредитного портфеля и реализация дополнительных отчислений по неработающим активам,
- Размещение облигаций в ин.валюте на сумму 20 млн USD,
- Проведение последовательных работ с международными организациями и расширение участия в международных кредитных программах, в частности в рамках программы Европейского Банка Развития и Голландского Банка Развития (FMO) для реализации программы “Женщины в бизнесе”,
- Повышение качества обслуживания, с применением полным запуском мобайл банкинга, расширение клиентской базы, повышение качества обслуживания,
- Обеспечение принципов корпоративного управления Банка,
- Совершенствование системы внутреннего контроля, внутреннее регулирование и оценки продуктивности труда персонала с общими стратегическими целями Банка,
- В течение запланированного периода, помимо обеспечения вышеупомянутых ключевых показателей эффективности, Банк поставил перед собой задачу обеспечить увеличение объема общих инвестиций в основные сферы деятельности Банка и кредитные продукты. Как указано в программе, одной из основных целей банка является создание однородного и диверсифицированного кредитного портфеля, что возможно только за счет увеличения объемов кредитования МСБ и следовательно их веса в общем кредитном портфеле, а также за счет развития розничного бизнеса.

### **3.6 Члены органов управления**

#### ***Обзор системы корпоративного управления***

Банк уделяет особое внимание наличию полноценной эффективной и прозрачной системы корпоративного управления с применением передового опыта. Политика корпоративного управления Банка направлена на обеспечение независимости Совета Банка, эффективного контроля за его управленческой деятельностью и обеспечению хороших взаимоотношений с акционерами.

Основной целью Юнибанка является обеспечение соответствия корпоративного управления, применения банковских технологий и обслуживания с самыми высокими международными стандартами.

Для надлежащего применения принципов корпоративного управления Корпоративное управление в банках регулируется законодательством РА, в частности Законом РА о

банках и банковской деятельности и Законом РА об акционерных обществах, а также Уставом Банка и внутренними правовыми актами, которые направлены на обеспечение прозрачной подотчетности на всех уровнях.

Со стороны Совета утверждено Руководство по корпоративному управлению и тщательное соблюдение положений Руководства контролируется со стороны Внутреннего аудита, а также комитетами, при Совете и Правлении в рамках их соответствующих полномочий.

Здоровый командный дух также является важной гарантией успеха корпоративного управления Банка. Юнибанк стремится развивать корпоративную культуру и командный дух в Банке посредством регулярного обучения персонала, организации корпоративных мероприятий и разъяснения общих целей и задач Банка. Для осуществления функций Совета и Правления действуют Комитеты, которые выносят рекомендации по вопросам, относящимся к их компетенции, в частности по внутреннему контролю, рискам, финансовой отчетности, вознаграждениям и другим вопросам. Это позволяет руководству уделять большую часть своего времени стратегическим и долгосрочным вопросам.

Членами Комитетов при Совете являются члены Совета, а членами Комитетов при Правлении являются члены Правления и другие соответствующие руководители Банка.

Совет Банка является коллегиальным органом управления Банка, который определяет основные стратегические ориентиры деятельности Банка в долгосрочной перспективе, определяет подходы к организации внутреннего контроля. Совет Банка при осуществлении своей деятельности подотчетен Общему собранию акционеров Банка, действует в интересах Банка и его акционеров, а также обеспечивает соблюдение интересов и законных требований всех иных заинтересованных лиц.

Правление Банка осуществляет руководство текущей, операционной деятельности Банка в рамках полномочий, определенных законодательством РА и Уставом Банка. Правление подотчетно Общему собранию акционеров и Совету Банка.

Внутренний аудит имеет независимый статус, функционирует под непосредственным контролем Совета, осуществляет проверку и оценку эффективности системы внутреннего контроля Банка.

### **Комитеты при Совете**

Инвестиционный Комитет является консультативно - совещательным органом, обеспечивающим предварительное рассмотрение инвестиционных проектов и программ, также совершенствование инвестиционной политики Банка.

Комитет по аудиту и рискам обеспечивает повышение эффективности систем внутреннего контроля, управления рисками и корпоративного управления.

Комитет по вознаграждениям определяет и согласовывает с Советом общие принципы и политику вознаграждения членов высшего руководства Банка, оказывает содействие совершенствованию кадровой политики Банка, а также систем мотивации персонала Банка.

## **Комитеты при Совете**

### **Комитет по аудиту и рискам**

Состав Комитета по аудиту и рискам:

Председатель	Член Совета
член	Председатель Совета
член	Член Совета
наблюдатель	Директор внутреннего аудита
секретарь	Руководитель Аппарата Банка

Задача Комитета заключается в оказании помощи Совету Банка в выполнении его функций корпоративного управления и надзора, связанных с соблюдением требований внешнего и внутреннего аудита, структуры внутреннего контроля и систем управления рисками, законодательства и внутренних правовых требований. Заседания проводятся не реже двух раз в год, в течение которых принимаются меры по устранению нарушений, выявленных по результатам внутреннего и внешнего аудита, изучаются пересмотренные кредиты и так далее.

## **Инвестиционный Комитет**

Состав инвестиционного Комитета:

Председатель	Член Совета
член	Председатель Совета
член	Член Совета
секретарь	Руководитель Аппарата Банка

Инвестиционный Комитет выполняет функции Банка по резервам, решениям по управлению инвестициями и надзору по их исполнению, а также обсуждает вопросы и финансовый анализ, связанные с текущей координацией инвестиционной деятельности.

## **Комитет по вознаграждениям**

Состав Комитета по вознаграждениям:

Председатель	Член Совета
член	Председатель Совета
член	Член Совета
наблюдатель	Директор внутреннего аудита
секретарь	Руководитель Аппарата Банка

Основными задачами Комитета являются:

- Совершенствование кадровой политики Банка,
- Представление рекомендаций Совету и оказание содействия совершенствованию кадровой политики Банка,
- Разработка системы мотивации и вознаграждений для членов высшего руководства Банка.

### **Комитеты при Правлении**

Комитет по управлению активами и пассивами и по тарифам, Комитет по управлению филиальной сетью, Комитет по оценке бизнеса, Комитет по безопасности, Комитет по закупкам, инвентаризации и отчуждению, Комитет по оценке персонала.

#### **Комитет по управлению активами и пассивами и по тарифам:**

Основными задачами Комитета являются:

- Желаемая или целевая структура и лимиты погашения обязательств и активов Банка,
- Критерии выбора альтернативных источников и способы их получения при потреблении первичных источников ликвидных активов,
- Контроль за соблюдением внутренних лимитов и норм, связанных с управлением активами и пассивами,
- Целевой уровень процентной ставки,
- Определение видов тарифов предоставляемых услуг, принципов установления и пересмотра тарифов и ставок, представление предложений Правлению и Совету о введении их в действие. При представлении предложений о тарифах Комитет должен учитывать себестоимость услуг, тарифы должны покрыть расходы, связанные с предоставлением услуг и обеспечить определенный доход. Отклонения от тарифов, утвержденных Советом Банка, для индивидуальных клиентов подлежат обсуждению на Комитете и для каждого клиента заключаются соответствующие соглашения согласно решению Комитета.

#### **Комитет по оценке бизнеса**

Основными задачами Комитета являются:

- Обсуждение запланированных результатов деятельности Банка и бюджета,
- Разработка рекомендаций и заданий по развитию бизнеса и улучшению бизнес-процессов,
- Способствование эффективной работе филиалов Банка для достижения положительных финансовых результатов в сочетании с динамикой развития и улучшением обслуживания клиентов,
- Проведение регулярного анализа финансово-хозяйственной деятельности филиалов Банка,
- Поддержка процесса финансово-экономического планирования филиальной сети, мониторинг выполнения плановых показателей, периодический анализ финансовых результатов,
- Осуществление надзора за рекомендациями Комитета.

## **Комитет по информационным технологиям и информационной безопасности**

Основными задачами Комитета являются:

- Повышение эффективности системы управления информационной безопасности,
- Обсуждение любых изменений касаясь системы управления информационной безопасности,
- Координация деятельности, осуществляемой в области банковской безопасности, что делает процесс принятия правовых актов, связанных с безопасностью, более эффективным,
- Иные вопросы по сохранению безопасности внутреннего режима,
- Организация процесса обеспечения информационной безопасности и информационных технологий Банка,
- Анализ и утверждение политики в области ИТ и информационной безопасности, распределение общих обязанностей,
- Обсуждение ключевых рисков ИТ и информационных ресурсов,
- Утверждение основных подходов обеспечения ИТ и информационной безопасности,
- Обсуждение вопросов и принятие решений касаясь сфер ИТ и информационной безопасности,
- Утверждение планов действий по вопросам ИТ и информационной безопасности, реализация проектов ИТ в установленные сроки.

## **Комитет по закупкам, инвентаризации и отчуждению**

Основными задачами Комитета являются:

- Изменения в утвержденной смете: ежемесячные, квартальные, полугодовые изменения в планировании,
- Внесение изменений в предусмотренных расходных статьях,
- Изменения сумм в предусмотренных расходных статьях,
- Изменения программ, в том числе включение предусмотренных программ,
- Другие вопросы, не предусмотренные этим порядком.

## **Комитет по оценке персонала**

Основными задачами Комитета являются:

- Текущая оценка работы, выполняемой территориальными и структурными подразделениями и сотрудниками Банка согласно выполненным и утвержденным Советом плановым показателям, а также мотивационным схемам, утвержденным Советом Банка,
- Оценка эффективности взаимодействия со знаниями и подразделениями сотрудников Банка,
- Изучение и разрешение трудовых споров и конфликтов,
- Обсуждение и принятие решений о поощрении сотрудников Банка,

- Изучение результатов официальных расследований, жалоб, объяснений, а также других вопросов и случаев, в рамках полномочий Комитета,
- Обсуждение вопросов и принятие решений по поводу привлечения к ответственности сотрудников Банка,
- Оценка соответствия занимаемой работником должности,
- Уведомление Правления Банка в случае нарушений действующего порядка оценки персонала,
- Контроль за выполнением поручений Комитета.

#### **Кредитный Комитет:**

Основными задачами Комитета являются:

- Внедрение и развитие кредитной политики Банка,
- Управление банковскими рисками,
- Эффективная и оперативная организация и внедрение процедур кредитования Банка в пределах своей компетенции.

#### **Комитет по управлению резервами**

Основными задачами Комитета являются:

- Пересмотр условий кредитов, классифицированных как “контролируемые” и приведение в класс “стандартный” согласно решению Совета центрального банка «Об одобрении порядка классификации кредитов и дебиторской задолженности и формирования резервов на возможные потери кредитных организаций, действующих на территории Республики Армения»,
  - Пересмотр условий кредитов, классифицированных как “нестандартные” и “сомнительные”, в целях оздоровления и приведение в класс “стандартный” согласно решению Совета центрального банка «Об одобрении порядка классификации кредитов и дебиторской задолженности и формирования резервов на возможные потери кредитных организаций, действующих на территории Республики Армения».
- В Банке утвержден внутренний документ «Политика корпоративной культуры», определяющий взаимоотношения между руководством и персоналом, с государственными органами, деловую этику, конфликт интересов.

**Сведения о членах органов управления Банка:**

<b>Имя, фамилия</b>	<b>Место проживания</b>	<b>Должность</b>	<b>Иная деятельность</b>	<b>Информация о деятельности членов органов управления Банка в компаниях и организациях в течение 5 лет, предшествующих представлению проспекта на регистрацию</b>
Гагик Закарян	РФ, г. Москва, ул. Народного Ополчения, дом 38, корпус 1, кв. 40	Председатель Совета	С 2006-го по настоящее Соучредитель и Председатель Совета директоров ОАО «Юнистрим», Член Совета Ассоциации российских банков (АРБ), Член Наблюдательного совета «Национальный Банковский Журнал», Председатель Совета «Ресо» СЗАО.	С 2004 по Август 2015 – президент КБ «Юниаструм Банк», РФ .
Георгий Писков	РФ, 119146, г. Москва, Фрунзенская Набережная, дом 36, кв. 425	Член Совета	С 2006-го по настоящее Член Совета директоров ОАО «Юнистрим», Соучредитель и Председатель совета директоров ООО «Протобэйз Лабораториз».	С 2004 по Август 2015 - председатель Совета директоров «Юниаструм Банк» КБ, РФ.
Вардан Атаян	РА, г. Ереван, ул. Комитаса 62, кв. 6	Член Совета	03.03.2008 - по настоящее Председатель Совета ЗАО КО «Юнилизинг» (владелец 1% ЗАО “Unileasing”).	24.09.2001г.-06.11.2017– Председатель Правления ОАО «Юнибанк», 22.09.2008 - 06.11.2017 – Член Совета СЗАО «Ресо» , 03.03.2008 - по настоящее

				Председатель Совета ЗАО КО «Юнилизинг» (владелец 1% ЗАО "Unileasing"), 31.07.2006 - 06.11.2017 – Член Совета Ассоциации банков Армении , 21.12.2007 - 06.11.2017 - Член Совета директоров кредитного бюро ACRA.
Артем Констандян	РФ, г. Москва, ул. Макаревского 5, кв. 28	Член Совета	Член Совета ОАО «Юнибанк» Член Президиума Правления, « ОПОРА России» Член Совета директоров Российского агентства по страхованию экспорта и инвестиций (ЭКСАР), Член Наблюдательного совета АО «МСП Банк» Член Правления Фонда « Юрисдикция Армения»	01.02.2018 - 01.07.2018 - Советник председателя правления ОАО «Юнибанк», 2012 – 2018 – член Совета ЗАО «Ардшинбанк», 2010 – 2016 – президент и член Совета ОАО «Промсвязьбанк».
Давид Папазян	РА, г. Ереван, ул. Баграмяна 1, 1-ое здание, кв. 30	Член Совета	Генеральный директор Государственного фонда национальных интересов Республики Армения	2009 - 2016 - Принципал Management of HNW capital, 2009 – 2014 - Член Совета директоров Innova, Moscow & Luxembourg.
Эдуард Заманян	РФ, г. Москва, ул. Снайперская, дом 12	Член Совета	Не имеется	С 2014-го по настоящее Член Совета директоров ОАО «Юнистрим».



Граат Арзуманян	РФ, г. Москва, ул. Большая Ордынка, дом 51, кв. 3	Член Совета	Не имеется	2014-го по настоящее – Председатель Совета Директоров АКБ «Трансстройбанк».
Месроп Акопян	РА, г. Ереван, ул.Таманяна 1А, кв.13	Председатель Правления – Исполнительный директор	03.03.2008 - по настоящее член Совета ЗАО КО «Юнилизинг» (владелец 1% ЗАО “Unileasing”), Член Совета Ассоциации банков Армении, Член Правления кредитного агентства АКРА.	2014 – 2017 - Директор по операционному обслуживанию и информационным системам ОАО «Юнибанк», 2012 - 2014 - Заместитель Председателя Правления - Директор по информационным технологиям и инновациям ЗАО «Юнибанк».
Арарат Гукасян	РА, г. Ереван, Норк - Мараш, 6- ая улица, 1-ый перулок, 5-ый дом	Первый Заместитель Председателя Правления	Член Попечительского Совета Национальной Лаборатории им. А. Алиханяна, 29.07.2015 - по настоящее Член Совета ЗАО «Юнилизинг».	2015 – 2017 - Член Совета ОАО «Юнибанк», 2010 – 2015 - Библос Банк Армения - Генеральный директор.
Григорян Гоар	РА, г. Ереван, ул.Комитаса 35, кв. 26	Член Правления - Финансовый Директор - Главный бухгалтер	03.03.2008 - по настоящее Член Совета ЗАО «Юнилизинг».	2013 - 2015 - Главный бухгалтер, Член Правления ЗАО «Юнибанк», 2007 – 2013 - Директор по бухгалтерскому учету - главный бухгалтер, Член Правления ЗАО «Юнибанк».

Овсанна Аракелян	РА, г. Абовян, ул. Севана, дом 2/4, кв. 15	Заместитель Председателя Правления, Директор по правовому обслуживанию и взысканию просроченной задолженности	Член Совета СЗАО «Ресо», Член Совета ЗАО КО «Юнилизинг», Директор ООО "Уильямс Инкорпорейшн", Директор ЗАО «Полиграфия», Директор культурного благотворительного фонда «Дживан Гаспарян».	2011 – 2014 - Директор юридического департамента, Член Правления ЗАО «Юнибанк», 2011 – 2014 - Арбитр Финансового Арбитража при Союзе Банков Республики Армения.
Гурген Гукасян	РА, г. Ереван, ул. Маргаряна, 2-ой переулок, дом 13, кв.6	Член Правления - Директор по продажам и развитию розничного бизнеса	23.09.2015 - по настоящее Исполнительный Директор ЗАО «Юнилизинг»	2013 – 2014 - Директор по продажам и развитию розничного бизнеса ЗАО «Юнибанк», 2012 – 2013 - Начальник отдела продаж ипотеки и автокредитования ЗАО «Юнибанк».
Давид Петросян	РА, г. Ереван, ул. Гюльбенкяна 30/3	Член Правления - Директор по продажам и развитию корпоративного бизнеса	Не имеется	2012 – 2014 - Директор департамента корпоративных продаж ЗАО «Юнибанк».
Тигран Баданян	РА, г. Ереван, ул. Сундукяна 3/57	Член Правления - Директор по управлению рисками	Не имеется	02.2017 - 05.2017 - Заместитель директора по управлению рисками ОАО «Юнибанк», 06.1998 - 02.2017 - Армянский Банк Развития, Заместитель Председателя Правления, Член Правления.

Артур Аперян	РА, г. Ереван, Аван Ариндж 2-й микрорайон, дом 1/13, кв.32	Член Правления - Директор по операционному обслуживанию и информационным системам	Не имеется	12.2017 - 05.2019 - Директор по операционному обслуживанию и информационным системам ОАО «Юнибанк», 07.2017 - 12.2017 - Заместитель Директора по операционному обслуживанию ОАО «Юнибанк», 2012 - 2015 - руководитель филиала ЗАО «Юнибанк», 2015 - 2017 - руководитель филиала ОАО «Юнибанк».
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Информации о судимости за мошенничество в течение 5 лет, предшествующих представлению проспекта на регистрацию о Членах Совета и Правления не имеется.

Члены органа управления эмитента в течение 5 лет, предшествующих представлению проспекта на регистрацию не имели какое-либо отношение к банкротству, ликвидации или управлению активами лица, признанного банкротом.

Члены органа управления эмитента не привлекались в течение 5 лет, предшествующих представлению проспекта на регистрацию, к ответственности со стороны какого-либо государственного или регулируемого (контролируемого) органа, и не были лишены судом права занимать должность члена органа управления какого-либо эмитента.

Не имеется конфликт интересов у членов органа управления эмитента (членами Правления и Совета) между его должностными обязанностями и личными интересами.

Не имеется договоренности с крупными акционерами, клиентами, поставщиками или прочими лицами, согласно которой какое-либо лицо было выбрано или назначено на должность члена органа управления эмитента.

Члены органа управления эмитента не имеют соглашения с Банком или его дочерними компаниями о том, что они получают бонус или доплату по истечении срока их полномочий.

Не имеется родственная связь между членами органа управления Эмитента.

Полномочия и ответственность органов управления Банком устанавливаются уставом Банка.

На момент представления Проспекта 10 и более процентов активов Банка в каком либо филиале не централизовано

На момент представления Проспекта между Банком и лицами, участвующими в его управлении, конфликта интересов нет.

### **Сотрудники**

По состоянию на 30-ое июня 2019 года общее количество сотрудников Банка составляет 804, включая 7 членов Совета и 8 членов Правления. Все сотрудники работают полный рабочий день.

Председатель Совета банка Гагик Закарян и член Совета Георгий Писков косвенно контролируют 50% привилегированных акций, а также 43,9% обыкновенных акций. Информация о принадлежащих каждому члену органа управления эмитента долевых ценных бумагах и о наличии опционов по этим

ценным бумагам, с указанием класса количества принадлежащих каждому из них ценных бумаг, их процентного отношения в общем объеме, и т.д.

<b>ИФО</b>	<b>Должность</b>	<b>Доля участия в уставном капитале</b>
Вардан Атаян	Член Совета	0.0027%
Месроп Акопян	Председатель Правления – Исполнительный директор	0.0027%
Арарат Гукасян	Первый Заместитель Председателя Правления	0.0082 %
Григорян Гоар	Член Правления - Финансовый Директор - Главный бухгалтер	0.0027%
Гурген Гукасян	Член Правления - Директор по продажам и развитию розничного бизнеса	0.0027%
Давид Петросян	Член Правления - Директор по продажам и развитию корпоративного бизнеса	0.0041%

### **Вознаграждения**

- Руководство Банка считает, что важным фактором успеха Банка является способность Банка повышать мотивацию своих сотрудников и что существующие схемы мотивации будут продолжать укреплять бизнес-стратегию Банка в будущем.
- В рамках этой программы были введены различные бонусные схемы для разных групп сотрудников Банка.
- В рамках бонусных схем любой бонус предоставляется по усмотрению Комитета по оценке персонала.

### **3.7 Крупные акционеры и контролирующие лица**

Обыкновенные именные акции Юнибанка контролируются компанией UNIHOLDING GG Limited - 87,8% (адрес Кипр, Никосия, Патму 5В, Аглация, Р.С. 2103), которому принадлежат 147, 805, 227 (сто сорок семь миллионов восемьсот пять тысяч двести двадцать семь) обыкновенных именных акций и 32,010,000 (тридцать два миллиона десять тысяч) привилегированных акций. Одна обыкновенная акция Банка дает владельцу акционеру право одного голоса на Собрании.

## **Косвенное значительное участие**

Косвенное значительное участие в банке имеют два участника компании «Юнихолдинг Джи Джи Лимитед» Гагик Закарян и Георгий Писков.

- Георгий Писков Игорьевич (Паспортные данные: 45 01 597016 дата выдачи 28.12.2001г. Место проживания РФ, 119146, Москва, Фрунзенская набережная, д.36, кв.425.):
- Закарян Гагик Тигранович (Паспортные данные: 51N3886787, дата выдачи 11.01.2008г., Место проживания РФ, г. Москва, ул. Народного Ополчения, дом 38, корпус 1, кв 40.):

Председатель Совета банка Гагик Закарян и член Совета Георгий Писков косвенно контролируют 50% привилегированных акций, а также 43,9% обыкновенных акций.

## **Сделки с взаимосвязанными лицами**

В течение последнего года не были совершены сделки, совершаемые эмитентом и лицами, взаимосвязанными с эмитентом, стоимость которых превышает 1 процент собственного капитала.

В течение последнего года не были совершены сделки, совершаемые эмитентом и лицами, взаимосвязанными с эмитентом в рамках которой ее стоимость превышает 10 миллионов драмов.

## **3.8 Информация об активах и обязательствах, финансовом состоянии, доходах и расходах эмитента**

### **Историческая финансовая информация о судебных, арбитражных и административных производствах**

Ежегодные финансовые отчеты Банка за 2016, 2017 и 2018 с независимыми аудиторскими заключениями, также финансовые отчеты Банка за 1-ый и 2-ой квартал 2019 года Банка, утвержденные Правлением Банка, представлены в Приложении 4 настоящего Проспекта.

### **Налоговые привелигии**

Банк не пользуется никакими налоговыми привелигиями

В предшествующий представлению данного Проспекту год Банк не вовлечен в судебные, арбитражные и (или) административные правовые производства, которые могут существенно воздействовать на финансовое состояние Банка или рентабельность и/или могут иметь или в последнее время имели существенное воздействие.

### **3.9 Существенные договора**

В предшествующий представлению Проспекту год в Банке не имелись договора, заключенные вне рамки естественной деятельности Банка и находящиеся в действии, цена которых превышает 5% стоимости собственного капитала, указанного в финансовых отчетах Банка за последний отчетный период.

Юнибанк не является прямым или косвенным участником 5 и более процентов акций с правом голоса в уставном капитале иных юридических лиц.

Кроме финансовых отчетов Банка, представленных и подвергнувшихся финансовому аудиту, в какой-либо части Проспекта не использовано профессиональное мнение бухгалтера, оценщика, советника или иного любого эксперта. Существенных изменений, воздействующих на финансовое состояние Эмитента, не произошло.

В течение всего срока применения Проспекта устав Банка, промежуточные и годовые отчеты, годовые независимые аудиторские заключения, а также годовые и промежуточные аналитические отчеты для подотчетных эмитентов, инвесторов постоянно доступны общественности как в электронном виде, так и на бумажном носителе. Электронные варианты указанных документов установлены на домашней интернет-странице Банка, а для получения в бумажном формате, инвесторы могут обратиться в головной офис Банка.

#### **Внимание**

**ИНВЕСТОР, ОЗНАКОМИВШИСЬ С ДАННЫМ ПРОСПЕКТОМ, ДОЛЖЕН САМОСТОЯТЕЛЬНО ОЦЕНИТЬ РИСК СОБСТВЕННОЙ ИНВЕСТИЦИИ В ЦЕННЫЕ БУМАГИ ДО ПРИНЯТИЯ РЕШЕНИЯ О ПРИОБРЕТЕНИИ.**

### **3.10 Прочая информация**

#### **Устав**

Согласно пункту 1.4 Устава Банка, Банк имеет право осуществлять банковскую деятельность и предусмотренные законом финансовые операции согласно лицензии на осуществление банковской деятельности, полученной от Центрального Банка РА. Краткое изложение прав и обязанностей органов управления Банка (Глава 10 Устава Банка)

Для произведения уплаты на приобретение облигаций в количестве, указанном в заявке на покупку облигаций, необходимо зачислить денежные средства на предварительно открытый в ОАО «Юнибанк» транзитный счет.

Лица, желающие приобрести облигации, могут получить Проспект в Банке и в его филиалах (центральный офис – РА, г. Ереван, община Кентрон, улица Чаренца, дом 12, номер 53, номер 1-5) или на интернет сайте Банка: [www.unibank.am](http://www.unibank.am)

# Приложение 1. Заявка на покупку облигаций со стороны физического и юридического лица



## Թողարկվող պարտատոմսերի վերաբերյալ համառոտ տեղեկատվություն Brief Summary of Shares Issued

Թողարկող Issuer	Յունիբանկ ԲԲԸ UNIBANK OJSC
Թողարկման արժույթը Currency of denomination	
Թողարկման ծավալը Issue volume	
Պարտատոմսի ԱՄՏԾ BOND ISIN	

## Ներդրողի վերաբերյալ տեղեկություններ Investor Information

Անուն, ազգանուն (անվանում) Full name (Company name)	
Անձնագրի (գրանցման) տվյալներ Passport (Registration) details	
Բնակության (Իրավաբանական) հասցեն Residence (Legal) address	
Կապի միջոցները (հեռ., ֆաքս, էլ. փոստ) Contact details (tel., facsimile, e-mail)	



Արժեթղթերի հաշվի համարը Securities account details	
Դոլարային հաշվեհամարը USD account details	
Դրամային հաշվեհամարը AMD account details	

**Պարտատոմս ձեռքբերման հայտի վերաբերյալ տեղեկություններ**  
Subscription Information

Պարտատոմսերի քանակը Number of shares	
Գործարքի ծավալը Transaction volume	
Գործարքի գին Transaction Price	

Ես՝ ներքոստորագրյալս, ստորագրելով սույն փաստաթուղթը, տեղեկացնում եմ, որ.

I, the undersigned, hereby affirm and acknowledge that:

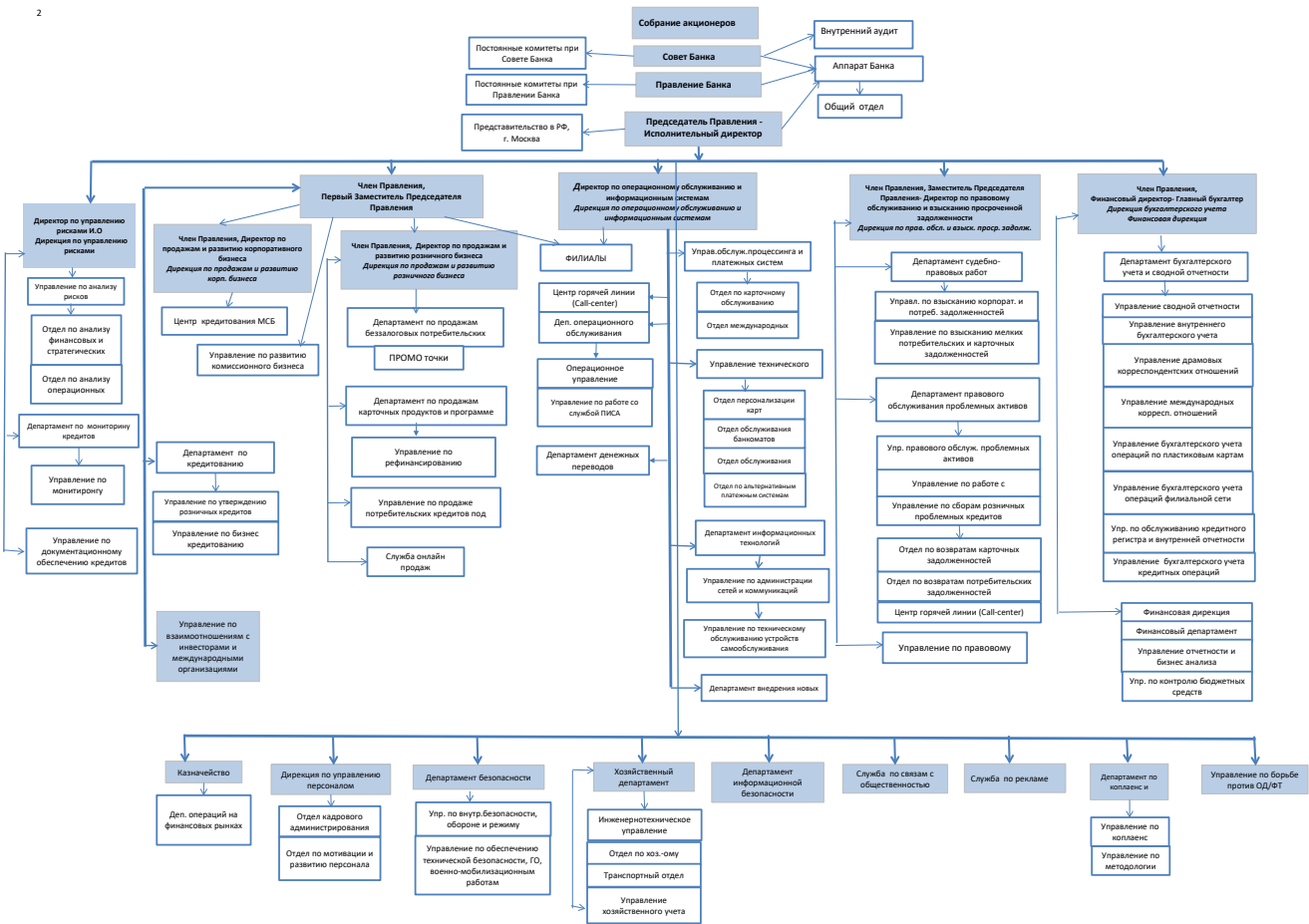
- Ծանոթացել եմ Յունիբանկ ԲԲԸ պարտատոմսերի թողարկման ազդագրին:  
I have read the entire Prospectus of "UNIBANK" OJSC.
- Լիովին գիտակցում եմ սույն պարտատոմսերում ներդրումների հետ կապված ռիսկերը:  
I fully understand the risks associated with the investment in the offered bonds.

**Ներդրող (լիազոր անձ)**

**Investor (authorized person)**

\_\_\_\_\_  
անուն, ազգանուն / full name

\_\_\_\_\_  
ստորագրություն /  
signature



## Приложение 4. Окончательные условия Выпуска

### ОАО Юнибанк

(имя эмитента)

Именная, купонная, бездокументарная, не конвертируемая облигация  
(вид ценных бумаг)

Для получения полной информации об эмитенте и выпускаемых ценных бумагах необходимо совместно рассмотреть Программный Проспект (зарегистрированный – —, решением ЦБ РА от —) и окончательные условия данного выпуска. Программный Проспект и его дополнения находятся в ОАО “Юнибанк”, по адресу РА, г. Ереван, 0025, улица Чаренца 12, No 53, 1-5.

#### 1. Общие Сведения

(те сведения, которые не применимы, указываются “не применимы”. Если выпускаются ценные бумаги одинаковой серии на разных основных условиях (валюта выпуска, цена предложения, номинальная стоимость и т.д.) то отличающиеся условия для группы ценных бумаг, удовлетворяющих каждому условию, приводятся отдельно)

1.1	Эмитент (наименование Эмитента)	ОАО Юнибанк
1.2	Андеррайтер	
1.3	Серия (номер и дата очередного выпуска, осуществляющегося на основании данного Программного Проспекта)	
1.4	Общий объем выпуска данной серии	
1.5	Информация о классификации ценных бумаг с точки зрения очередности погашения обязательств эмитента (субординированность), включая объем выпуска каждой серии по субординированности	
1.6	Валюта выпуска	
1.7	Цена предложения	
1.8	Номинальная стоимость	
1.9	Количество	
9.1	Объем покупки со стороны Маркетмейкера	
1.10	Начало осуществления предложения (включая любые	

	возможные изменения срока)	
1.11	Конец осуществления предложения (включая любые возможные изменения срока)	
1.12	Отличительный код ценной бумаги (ISIN) или иные отличительные коды	
1.13	Орган, принявший решение о выпуске и распределении и дата решения (заполняется в том случае, если для данного публичного предложения принято отдельное решение, в противном случае указывается “не применимо” )	
<b>2. Сведения о купоне</b>		
2.1	Первый день расчета купона	
2.2	Процентная ставка купона и периодичность оплаты, если купон с плавающей процентной ставкой, то представить информацию, от какого показателя (его изменения) зависит величина процентной ставки и где можно получить информацию об этом показателе/его изменении	
2.3	Четкие дни (дата, месяц, год) оплаты купона	
2.4	Порядок расчета дней купона (например 30/360, Act/Act, Act/360, и т.д.)	
2.5	Осуществляющий расчет плавающего купона	
2.6	Иные существенные условия расчета купона	
2.7	Положение о ценных бумагах с нулевым купоном (дисконтных, процентных) указывается “применимо” или “не применимо”	
<b>3. Сведения о погашении материнской суммы</b>		
3.1	Дата погашения (частичных погашений)	

3.2	Стоимость погашения (частичных погашений), если не возможно, то указывается методология расчета;	
3.3	Изменение стоимости погашения (заполняются все те условия, в случае которых возможно изменение стоимости погашения)	
3.4	Возможность досрочного погашения по инициативе эмитента/кол опцион указывается “применимо” или “не применимо”	
3.4.1	Срок (и)	
3.4.2	Цена осуществления опциона, метод его расчета (в случае наличия)	
3.4.3	В случае возможности частичного погашения минимальная и максимальная стоимость погашения	
3.4.4	Прочие сведения	
3.5	Возможность досрочного погашения по инициативе эмитента/пут опцион указывается “применимо” или “не применимо”	
3.5.1	Срок (и)	
3.5.2	Цена осуществления опциона, метод его расчета (в случае наличия)	
3.5.3	Прочие сведения (период уведомления)	
<b>4. Сведения о размещении</b>		
4.1	Наименование размещающего, место нахождения	
4.2	Иные условия размещающего (которые не включены в Проспект)	
<b>5. Иные сведения</b>		
5.1	Наличие разрешения к торговле	

	ценных бумаг данного класса на регулируемом рынке (указываются названия соответствующих регулируемых рынков, дата авторизации)	
5.2	Если в части предлагаемых ценных бумаг в дальнейшем будет соискаться разрешение к торговле на регулируемом рынке, то указываются сведения об этом (наименование рынка, также положение о том, что соискание разрешения к торговле может быть не удовлетворено, дата ожидаемого разрешения к торговле (в случае возможности )	
5.3	Рейтинг ценных бумаг	
5.4	Методы оплаты ценных бумаг (периодичность, банковские счета и т.д) и сроки, а также методы получения ценных бумаг и сроки, форма получения выписки о собственности ценных бумаг.	

## ОТВЕТСТВЕННЫЕ ЛИЦА

“Эмитент, Андеррайтер, ответственен за сведения, включенные в данные “Окончательные условия выпуска”. Эмитент (Андеррайтер) удостоверяет, что сведения, включенные в данный документ, соответствуют тем сведениям (представленная общая методология), которые включены в Программном Проспекте, его дополнениях, а также точны (насколько известны) и какой-либо факт не был упущен или искажен.

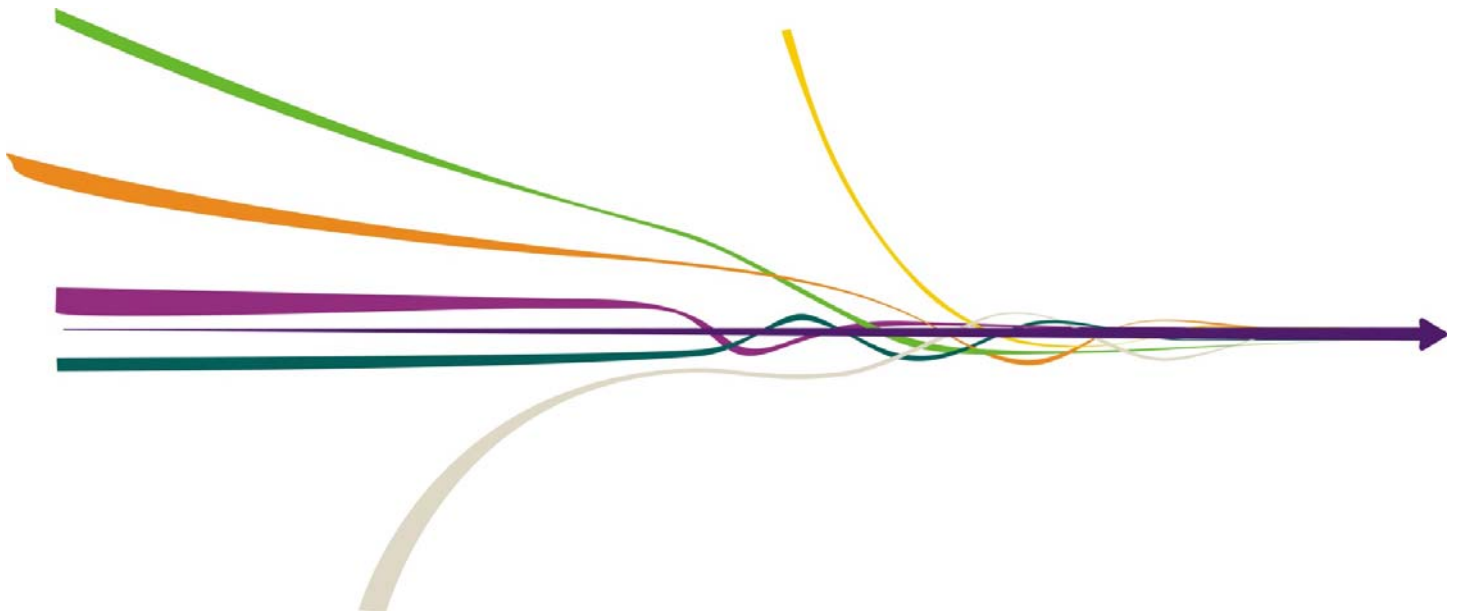
Подписанты

Гагик Закарян	Председатель Совета	(подпись)	(дата)
Георгий Писков	Член Совета	(подпись)	(дата)
Граат Арзуманян	Член Совета	(подпись)	(дата)
Эдуард Заманян	Член Совета	(подпись)	(дата)
Давид Папазян	Член Совета	(подпись)	(дата)
Артем Констандян	Член Совета	(подпись)	(дата)
Вардан Атаян	Член Совета	(подпись)	(дата)
Месроп Акопян	Председатель Правления – Исполнительный директор	(подпись)	(дата)
Арарат Гукасян	Первый Заместитель Председателя Правления	(подпись)	(дата)
Тигран Баданян	Член Правления - Директор по управлению рисками	(подпись)	(дата)
Гоар Григорян	Член Правления - Финансовый Директор - Главный бухгалтер	(подпись)	(дата)
Гурген Гукасян	Член Правления - Директор по продажам и развитию розничного бизнеса	(подпись)	(дата)
Овсанна Аракелян	Заместитель Председателя Правления, Директор по правовому обслуживанию и взысканию просроченной задолженности	(подпись)	(дата)
Давид Петросян	Член Правления - Директор по продажам и развитию корпоративного бизнеса	(подпись)	(дата)
Артур Аперян	Член Правления - Директор по операционному обслуживанию и информационным системам	(подпись)	(дата)

# Financial Statements and Independent Auditor's Report

UNIBANK open joint stock company

31 December 2016





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Statement of profit or loss and other comprehensive income	4
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Grant Thornton

## Independent auditor's report

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To the Shareholder and Board of Directors of Open Joint Stock Company “UNIBANK”:

### *Opinion*

We have audited the financial statements of “UNIBANK” OPEN JOINT STOCK COMPANY (the “Bank”), which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”).

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the “IESBA Code”) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Armenia, and we have fulfilled our other ethical responsibilities in accordance with those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key Audit Matters*

We have determined that there are no key audit matters to communicate in our report.

*Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions

are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Armen Hovhannisyan.

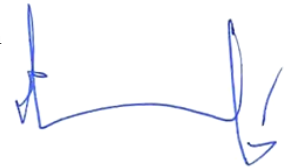
Gagik Gyulbudaghyan

Managing Partner



Armen Hovhannisyan

Engagement Partner



26 April 2017



## Statement of profit or loss and other comprehensive income

In thousand Armenian drams	Notes	Year ended 31 December 2016	Year ended 31 December 2015
Interest and similar income	6	21,329,971	19,714,397
Interest and similar expense	6	(12,968,927)	(13,431,362)
<b>Net interest income</b>		<b>8,361,044</b>	<b>6,283,035</b>
Fee and commission income	7	1,036,568	1,334,902
Fee and commission expense	7	(289,585)	(257,701)
<b>Net fee and commission income</b>		<b>746,983</b>	<b>1,077,201</b>
Net trading income	8	270,717	677,989
Other income	9	1,452,759	1,383,757
Impairment charge	10	(4,436,968)	(2,398,395)
Staff costs	11	(3,128,249)	(3,070,810)
Depreciation of property and equipment	20	(450,013)	(412,952)
Amortization of intangible assets	21	(84,359)	(80,796)
Other expenses	12	(3,150,583)	(2,912,720)
<b>Profit/(loss) before income tax</b>		<b>(418,669)</b>	<b>546,309</b>
Income tax expense	13	(24,549)	(187,828)
<b>Profit/(loss) for the year</b>		<b>(443,218)</b>	<b>358,481</b>
<b>Other comprehensive income:</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Revaluation of PPE		1,096,106	45,782
Income tax relating to items not reclassified		(219,221)	(9,157)
		<b>876,885</b>	<b>36,625</b>
<i>Items that will be reclassified subsequently to profit or loss</i>			
Net unrealized gain/(loss) from changes in fair value from available-for-sale financial assets		664,809	(468,167)
Income tax relating to items that will be reclassified		(132,962)	93,633
		<b>531,847</b>	<b>(374,534)</b>
<b>Other comprehensive income for the year, net of tax</b>		<b>1,408,732</b>	<b>(337,909)</b>
<b>Total comprehensive income for the year</b>		<b>965,514</b>	<b>20,572</b>
<b>Earnings/(loss) per share</b>	14	<b>(0.00348)</b>	<b>0.00157</b>

The accompanying notes on pages 8 to 56 are an integral part of these financial statements.

## Statement of financial position

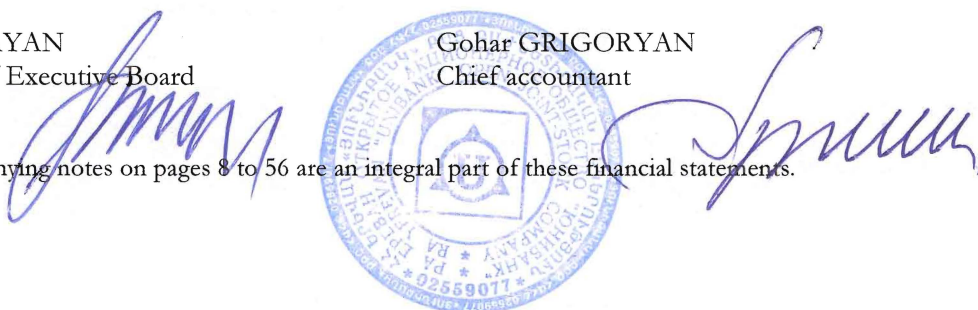
In thousand Armenian drams	Notes	As of 31 December 2016	As of 31 December 2015
<b>ASSETS</b>			
Cash and cash equivalents	15	33,547,636	26,012,823
Amounts due from financial institutions	16	3,268,547	1,245,854
Derivative financial assets	17	99,004	-
Loans and advances to customers	18	118,627,063	110,181,548
Investments available for sale	19	14,399,954	4,411,861
Securities pledged under repurchase agreements	28	-	4,136,760
Property, plant and equipment	20	7,651,713	5,165,342
Intangible assets	21	1,380,101	1,314,048
Prepaid income taxes		81,010	284,081
Other assets	22	6,341,061	5,387,543
<b>TOTAL ASSETS</b>		<b>185,396,089</b>	<b>158,139,860</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Amounts due to financial institutions	23	5,042,688	22,255,512
Amounts due to customers	24	128,012,569	103,611,025
Borrowings	25	13,260,387	8,071,190
Debt securities issued	26	2,652,531	-
Deferred income tax liabilities	13	957,978	731,041
Other liabilities	26	626,893	762,000
<b>Total liabilities</b>		<b>150,553,046</b>	<b>135,430,768</b>
<b>Equity</b>			
Share capital	29	19,093,378	14,167,947
Share premium		7,790,481	1,387,422
Statutory general reserve		426,482	421,851
Other reserves		916,048	(492,684)
Retained earnings		6,616,654	7,224,556
<b>Total equity</b>		<b>34,843,043</b>	<b>22,709,092</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>185,396,089</b>	<b>158,139,860</b>

The financial statements from pages 4 to 56 were signed by the Bank's Chairman of Executive Board and Chief Accountant on 26 April 2017.

Vardan ATAYAN  
Chairman of Executive Board

Gohar GRIGORYAN  
Chief accountant

The accompanying notes on pages 8 to 56 are an integral part of these financial statements.



## Statement of changes in equity

In thousand Armenian  
drams

	Share capital	Share premium	Statutory general reserve	Revaluation reserve of securities available for sale	Revaluation reserve of PPE	Retained earnings	Total
<b>Balance as of January 1, 2015</b>	13,100,700	-	370,137	(539,186)	384,411	7,120,787	20,436,849
Increase of share capital	1,067,247	1,387,422	-	-	-	-	2,454,669
Distribution to reserve	-	-	51,714	-	-	(51,714)	-
Dividends to shareholders	-	-	-	-	-	(202,998)	(202,998)
Transactions with owners	1,067,247	1,387,422	51,714	-	-	(254,712)	2,251,671
Profit for the year	-	-	-	-	-	358,481	358,481
<b>Other comprehensive income:</b>							
Revaluation of PPE	-	-	-	-	45,782	-	45,782
Net unrealized loss from changes in fair value	-	-	-	(468,167)	-	-	(468,167)
Income tax relating to components of other comprehensive income	-	-	-	93,633	(9,157)	-	84,476
Total comprehensive income for the year	-	-	-	(374,534)	36,625	358,481	20,572
<b>Balance as of 31 December 2015</b>	<b>14,167,947</b>	<b>1,387,422</b>	<b>421,851</b>	<b>(913,720)</b>	<b>421,036</b>	<b>7,224,556</b>	<b>22,709,092</b>
Increase in share capital	4,925,431	6,403,059	-	-	-	-	11,328,490
Distribution to reserve	-	-	4,631	-	-	(4,631)	-
Dividends to shareholders	-	-	-	-	-	(160,053)	(160,053)
Transactions with owners	4,925,431	6,403,059	4,631	-	-	(164,684)	11,168,437
Loss for the year	-	-	-	-	-	(443,218)	(443,218)
<b>Other comprehensive income:</b>							
Revaluation of PPE	-	-	-	-	1,096,106	-	1,096,106
Net unrealized gains from changes in fair value	-	-	-	664,809	-	-	664,809
Income tax relating to components of other comprehensive income	-	-	-	(132,962)	(219,221)	-	(352,183)
Total comprehensive income for the year	-	-	-	531,847	876,885	(443,218)	965,514
<b>Balance as of 31 December 2016</b>	<b>19,093,378</b>	<b>7,790,481</b>	<b>426,482</b>	<b>(381,873)</b>	<b>1,297,921</b>	<b>6,616,654</b>	<b>34,843,043</b>

The accompanying notes on pages 8 to 56 are an integral part of these financial statements.

## Statement of cash flows

In thousand Armenian drams

	Year ended 31 December 2016	Year ended 31 December 2015
<b>Cash flows from operating activities</b>		
Profit/(loss) before tax	(418,669)	546,309
<i>Adjustments for</i>		
Impairment charge	4,436,968	2,398,395
Impairment/(reversal of impairment) and (gains)/loss on sale of repossessed assets	(44,451)	223,174
Impairment/(reversal of impairment) of PPE	89,434	(103,881)
Amortization and depreciation allowances	534,372	493,748
Loss from sale of PPE	16,731	17,021
Interest receivable	(1,034,266)	(2,280,884)
Interest payable	(303,381)	495,761
Revaluation of derivative financial instruments	256,470	-
Foreign currency translation net gain of non-trading assets and liabilities	(181,453)	(179,415)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>	<b>3,351,755</b>	<b>1,610,228</b>
<i>(Increase)/decrease in operating assets</i>		
Amounts due from financial institutions	(2,080,268)	(320,892)
Derivative financial instruments	(355,474)	-
Loans and advances to customers	(15,285,569)	9,379,240
Other assets	2,804,772	(623,137)
<i>Increase/(decrease) in operating liabilities</i>		
Amounts due to financial institutions	(756)	(826,458)
Amounts due to customers	24,521,896	1,490,851
Other liabilities	(54,014)	(62,136)
<b>Net cash flow used in operating activities before income tax</b>	<b>12,902,342</b>	<b>10,647,696</b>
Income tax paid	53,276	31
<b>Net cash from operating activities</b>	<b>12,955,618</b>	<b>10,647,727</b>
<b>Cash flows from investing activities</b>		
Purchase of investment securities	(5,125,305)	(3,938,810)
Purchase of property and equipment	(2,031,483)	(375,118)
Proceeds from sale of property and equipment	85,040	71,922
Purchase of intangible assets	(150,412)	(140,062)
<b>Net cash used in investing activities</b>	<b>(7,222,160)</b>	<b>(4,382,068)</b>
<b>Cash flow from financing activities</b>		
Proceeds from issue of share capital	11,328,490	2,454,669
Dividends paid	(246,850)	(500,321)
Loans repaid to financial institutions	(17,332,058)	(9,654,080)
Issue of bonds	2,637,137	-
Other long-term loans and advances received/(repayment)	5,543,439	(6,292,311)
<b>Net cash from/(used in) financing activities</b>	<b>1,930,158</b>	<b>(13,992,043)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>7,663,616</b>	<b>(7,726,384)</b>
Cash and cash equivalents at the beginning of the year	26,012,823	34,036,384
Exchange differences on cash and cash equivalents	(128,803)	(297,177)
<b>Cash and cash equivalents at the end of the year (Note 15)</b>	<b>33,547,636</b>	<b>26,012,823</b>
<b>Supplementary information:</b>		
Interest received	20,305,950	17,765,762
Interest paid	(13,272,308)	(12,935,601)

The accompanying notes on pages 8 to 56 are an integral part of these financial statements.



# Accompanying notes to the financial statements

## 1 Principal activities

“Unibank” CJSC (the “Bank”) is a closed joint-stock bank, which was incorporated in the Republic of Armenia on 9 October 2001. The Bank is regulated by the legislation of RA and conducts its business under license number N81, granted on 10 October 2001, by the Central Bank of Armenia (the “CBA”).

On 23 June 2016 according to the Bank’s license registered under number 0373, “UNIBANK” CJSC was reorganized to “UNIBANK” OJSC issuing 14,500,000 shares.

The Bank is a member of Individuals deposit compensation guarantee state system of RA , as well as member of Union of Banks of Armenia, ArCa, MasterCard, Visa International payment systems.

The Bank accepts deposits from the public and extends credit, transfers payments in Armenia and abroad, exchanges currencies and provides other banking services to its commercial and retail customers.

Its main office is in Yerevan and it has 25 branches in Yerevan, 18 branches in different regions of RA, 2 branches in the Republic of Nagorno Karabakh Republic and one representative office in Moscow, the Russian Federation. The registered office of the Bank is located at: 12/53 Charents street, #1-5, Yerevan.

On August 24, 2016 the international rating agency Moody's Investors Service approved the Bank’s deposit attraction B3/NP rating, caa1 base credit rating, B2(cr)/NP(cr) counterparty risk rating. Forecasts on all ratings changed to positive from stable.

## 2 Armenian business environment

Armenia continues to undergo political and economic changes. As an emerging market, Armenia does not possess a developed business and regulatory infrastructure that generally exists in a more mature free market economy. In addition, economic conditions continue to limit the volume of activity in the financial markets, which may not be reflective of the values for financial instruments. The main obstacle to further economic development is a low level of economic and institutional development, along with a centralized economic base.

Management of the Bank believes that in the current conditions appropriate measures are implemented in order to ensure economic stability of the Bank.

## 3 Basis of preparation

### 3.1 Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as developed and published by the International Accounting Standards Board (IASB), and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The Bank prepares statements for regulatory purposes in accordance with legislative requirements of the Republic of Armenia. These financial statements are based on the Bank's books and records as adjusted and reclassified in order to comply with IFRS.

### 3.2 Basis of measurement

The financial statements have been prepared on a fair value basis for financial assets and liabilities at fair value through profit or loss and available for sale assets, except those for which a reliable measure of fair value is not available. Other financial assets and liabilities are stated at amortized cost and non-financial assets and liabilities are stated at historical cost, with the exception of buildings, which are stated at revalued amount.

### 3.3 Functional and presentation currency

Functional currency of the Bank is the currency of the primary economic environment in which the Bank operates. The Bank's functional currency and the Bank's presentation currency is Armenian Drams ("AMD"), since this currency best reflects the economic substance of the underlying events and transactions of the Bank. The financial statements are presented in thousands of AMD, unless otherwise stated, which is not convertible outside Armenia.

### 3.4 Changes in accounting policies

The Bank applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2016. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Although the new standards and amendments described below and applied for the first time in 2016, did not have a material impact on the annual financial statements of the Bank.

- *Disclosure Initiative (Amendments to LAS 1)*
- *Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to LAS 16 and LAS 38)*
- *Annual Improvements to IFRSs 2012–2014 Cycle.*

### 3.5 Standards and interpretations not yet applied by the Bank

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to the existing Standards have been published but are not yet effective. The Bank has not early adopted any of these pronouncements.

Management anticipates that all of the pronouncements will be adopted in the Bank's accounting policy for the first period beginning after the effective date of the pronouncement.

Management does not anticipate a material impact on the Bank's financial statements from these Amendments, they are presented below.

#### **Amendments to IAS 12 *Income Taxes***

The IASB has issued *Recognition of Deferred Tax Assets for Unrealised Losses*, which makes narrow-scope amendments to IAS 12 *Income Taxes*. The focus of these amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost.

These amendments clarify the following aspects:

- unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use;
- the carrying amount of an asset does not limit the estimation of probable future taxable profits;
- estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences;
- an entity should consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of the deductible temporary difference. If tax law imposes no such restrictions, an entity assesses a deductible temporary difference in combination with all of its other deductible temporary differences.

The Amendments are effective for annual periods beginning on or after January 1, 2017 and are required to be applied retrospectively. Management does not anticipate a material impact on the Bank's financial statements from these Amendments.

#### ***IFRS 9 Financial Instruments (2014)***

The IASB recently released IFRS 9 *Financial Instruments* (2014), representing the completion of its project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The Bank's management have yet to assess the impact of IFRS 9 on these financial statements. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018.

#### ***IFRS 15 Revenue from Contracts with Customers***

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 Revenue, IAS 11 Construction Contracts, and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for reporting periods beginning on or after 1 January 2017. The Bank's management have not yet assessed the impact of IFRS 15 on these financial statements.

#### ***IFRS 16 Leases***

IFRS 16 presents new requirements and amendments to the accounting of leases. IFRS 16 will require lessees to account for leases 'on-balance sheet' by recognizing a 'right-of-use' asset and a lease liability.

IFRS 16 also:

- changes the definition of a lease;

- sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods;
- provides exemptions for short-term leases and leases of low value assets;
- changes the accounting for sale and leaseback arrangements;
- largely retains IAS 17's approach to lessor accounting;
- introduces new disclosure requirements.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided IFRS 15 Revenue from Contracts with Customers is also applied. The Bank's management has not yet assessed the impact of IFRS 16 on these financial statements.

#### 4 Summary of significant accounting policies

The following significant accounting policies have been applied in the preparation of the financial statements. The accounting policies have been consistently applied.

##### 4.1 Recognition of income and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Expense is recognized to the extent that it is probable that the economic benefits will flow from the Bank and the expense can be reliably measured. The following specific criteria must also be met before revenue is recognized:

##### *Interest income and expense*

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognised within "interest income" and "interest expense" in the income statement using the effective interest method.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

##### *Fee and commission income*

Loan origination fees for loans issued to customers are deferred (together with related direct costs) and recognised as an adjustment to the effective yield of the loans. Fees, commissions and other income and expense items are generally recorded on an accrual basis when the service has been provided. Portfolio and other management advisory and service fees are recorded based on the applicable service contracts. Asset management fees related to investment funds are recorded over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

##### *Dividend income*

Revenue is recognized when the Bank's right to receive the payment is established. According to the Tax Legislation of Republic of Armenia dividend income is non-taxable.

##### *Net trading income*

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realized and unrealized fair value changes, interest, dividends and foreign exchange differences related to trading assets and liabilities. Net trading income also includes gains less losses from trading in foreign currencies and is recognized in profit or loss when the corresponding service is provided.

## 4.2 Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transactions. Gains and losses resulting from the translation of trading assets are recognised in the statement of profit or loss and other comprehensive income in net trading income, while gains less losses resulting from translation of non-trading assets are recognized in the statement of income in other income or other expense. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

Differences between the contractual exchange rate of a certain transaction and the prevailing average exchange rate on the date of the transaction are included in gains less losses from trading in foreign currencies in net trading income.

The exchange rates at year-end used by the Bank in the preparation of the financial statements are as follows:

	31 December 2016	31 December 2015
AMD/1 US Dollar	<b>483.94</b>	483.75
AMD/1 Euro	<b>512.20</b>	528.69
AMD/1 Rub	<b>7.88</b>	6.62

## 4.3 Taxation

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognized in the statement of profit or loss and other comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. In the case when financial statements are authorized for issue before appropriate tax returns are submitted, taxable profits or losses are based on estimates. Tax authorities might have more stringent position in interpreting tax legislation and in reviewing tax calculations. As a result tax authorities might claim additional taxes for those transactions, for which they did not claim previously. As a result significant additional taxes, fines and penalties could arise. Tax review can include 3 calendar years immediately proceeding the year of a review. In certain circumstances tax review can include even more periods.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The Republic of Armenia also has various operating taxes, which are assessed on the Bank's activities. These taxes are included as a component of other expenses in the statement of profit or loss and other comprehensive income.

#### 4.4 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, balances on correspondent accounts with the Central Bank of Armenia (excluding those funds deposited for the settlement of ArCa payment cards), and amounts due from other banks, which can be converted into cash at short notice, including highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents are carried at amortised cost.

#### 4.5 Precious metals

Gold and other precious metals are recorded at CBA prices which approximate fair values and are quoted according to London Bullion Market rates. Precious metals are included in other assets in the statement of financial position.

Changes in the bid prices are recorded in net gain/loss on operations with precious metals in other income/expense.

#### 4.6 Amounts due from other financial institutions

In the normal course of business, the Bank maintains advances or deposits for various periods of time with other banks. Loans and advances to banks with a fixed maturity term are subsequently measured at amortized cost using the effective interest method. Those that do not have fixed maturities are carried at amortized cost based on maturities estimated by management. Amounts due from other financial institutions are carried net of any allowance for impairment losses.

#### 4.7 Financial instruments

The Bank recognizes financial assets and liabilities on its statement of financial position when it becomes a party to the contractual obligation of the instrument. Regular way purchases and sales of

financial assets and liabilities are recognised using settlement date accounting. Regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date are accounted for in the same way as for acquired instruments.

When financial assets and liabilities are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition all financial liabilities, other than liabilities at fair value through profit or loss (including held for trading) are measured at amortized cost using effective interest method. After initial recognition financial liabilities at fair value through profit or loss are measured at fair value.

The Bank classified its financial assets into the following categories:

- loans and receivables,
- financial instruments at fair value through profit or loss,
- available-for-sale financial instruments

The Bank classified its financial assets into the following categories: loans and receivables, financial instruments at fair value through profit or loss, available-for-sale financial instruments and held-to-maturity investments. The classification of investments between the categories is determined at acquisition based on the guidelines established by the management. The Bank determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

***Financial assets at fair value through profit or loss***

This category has two subcategories: financial assets held for trading and those designated at fair value through profit or loss. A financial asset is classified in this category if acquired for the purpose of selling in the short-term or if so designated by management from the initial acquisition of that asset.

In the normal course of business, the Bank enters into various derivative financial instruments including futures, forwards, swaps and options in the foreign exchange and capital markets. Such financial instruments are held for trading and are initially recognised in accordance with the policy for initial recognition of financial instruments and are subsequently measured at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative.

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.



Derivative instruments embedded in other financial instruments are treated as separate derivatives if their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value with unrealised gains and losses reported in income. An embedded derivative is a component of a hybrid (combined) financial instrument that includes both the derivative and a host contract with the effect that some of the cash flows of the combined instrument vary in a similar way to a stand-alone derivative.

Financial assets and financial liabilities are designated at fair value through profit or loss when:

- Doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost for such as loans and advances to customers or banks and debt securities in issue;
- Certain investments, such as equity investments, that are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis are designated at fair value through profit and loss; and
- Financial instruments, such as debt securities held, containing one or more embedded derivatives significantly modify the cash flows, are designated at fair value through profit and loss.

Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in the statement of profit or loss and other comprehensive income.

#### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments, which arise when the Bank provides money directly to a debtor with no intention of trading the receivable.

Loans granted by the Bank with fixed maturities are initially recognized at fair value plus related transaction costs. Where the fair value of consideration given does not equal the fair value of the loan, for example where the loan is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is recognized as a loss on initial recognition of the loan and included in the income statement as losses on origination of assets. Subsequently, the loan carrying value is measured using the effective interest method. Loans to customers that do not have fixed maturities are accounted for under the effective interest method based on expected maturity. Loans to customers are carried net of any allowance for impairment losses.

#### *Available-for-sale financial instruments*

Investments available for sale represent debt and equity investments that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the statement of income. However, interest calculated using the effective interest method is recognised in the statement of income. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Bank's right to receive payment is established.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments



where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same, and discounted cash flow analysis. Otherwise the investments are stated at cost less any allowance for impairment.

#### 4.8 Impairment of financial assets

The Bank assesses at each reporting date whether a financial asset or group of financial assets is impaired.

##### *Assets carried at amortized cost*

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ("loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Criteria used to determine that there is objective evidence of an impairment loss may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty (for example, equity ratio, net income percentage of sales), default or delinquency in interest or principal payments, breach of loan covenants or conditions, deterioration in the value of collateral, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through use of an allowance account. The amount of the loss shall be recognised in the statement of profit or loss and other comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If future write-off is later recovered, the recovery is credited to the allowance account.

Impairment allowances of financial assets have been established in the financial statements on the basis of existing economic conditions. Bank is not able to predict how conditions may change in Armenia, and what impact these changes may have on the adequacy of the impairment allowance of financial assets in future periods.

#### ***Renegotiated loans***

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

#### ***Available-for-sale financial assets***

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement on income, is transferred from equity to the statement of income.

Reversals of impairment in respect of equity instruments classified as available-for-sale are not recognised in the statement of profit or loss and other comprehensive income but accounted for in other comprehensive income in a separate component of equity. Reversals of impairment losses on debt instruments are reversed through the statement of income if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

### **4.9 Derecognition of financial assets and liabilities**

#### ***Financial assets***

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Bank has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Bank either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Bank has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Bank's continuing involvement is the amount of the transferred asset that the Bank may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Bank's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### ***Financial liabilities***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

#### **4.10 Repurchase and reverse repurchase agreements**

Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the statement of financial position and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements and faced as the separate statement of financial position item. The corresponding liability is presented within amounts due to financial institutions or customers. Securities purchased under agreements to resell ("reverse repo") are recorded as amounts due from other financial institutions or loans and advances to customers as appropriate and are not recognized on the statement of financial position. The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective yield method.

#### **4.11 Securities lending and borrowing**

Securities lending and borrowing transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognized on the statement of financial position, unless they are sold to third parties, in which case the obligation to return the securities is recorded as a trading liability and measured at fair value with any gains or losses included in “Net trading income”.

#### 4.12 Leases

##### *Operating - Bank as leasee*

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term and included in other operating expenses.

#### 4.13 Property, plant and equipment

Property, plant and equipment (“PPE”) are recorded at historical cost less accumulated depreciation. The Bank’s buildings are stated at fair value less accumulated depreciation. If the recoverable value of PPE is lower than its carrying amount, due to circumstances not considered to be temporary, the respective asset is written down to its recoverable value.

Depreciation is calculated using the straight-line method based on the estimated useful life of the asset. The following depreciation rates have been applied:

	Useful life (years)	Rate (%)
Buildings	60	1.67
Computers	5	20
Communication	5	20
Vehicles	7	14.3
ATM	10	10
Other fixed assets	5	20

Leasehold improvements are capitalized and depreciated over the shorter of the lease term and their useful lives on a straight-line basis. Assets under the course of construction are accounted based on actual expenditures less any impairment losses.

Repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is incurred and when it satisfies the criteria for asset recognition. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

Any revaluation surplus is credited to the revaluation reserve for property and equipment included in the revaluation reserve for property and equipment in equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of income, in which case the increase is recognised in the statement of income. A revaluation deficit is recognised in the statement of income, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the revaluation reserve for property and equipment.

When revalued assets are sold, the amounts attributed to disposed item of assets and included in the revaluation reserve are transferred to retained earnings.

#### 4.14 Intangible assets

Intangible assets include computer software, licences and other.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end.

Costs associated with maintaining computer software programmes are recorded as an expense as incurred.

#### 4.15 Repossessed assets

In certain circumstances, assets are repossessed following the foreclosure on loans that are in default. Repossessed assets are measured at the lower of cost and fair value less costs to sell.

#### 4.16 Borrowings

Borrowings, which include amounts due to the Central Bank and Government, amounts due to financial institutions, amounts due to customers, debt securities issued and subordinated debt are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the amortisation process.

#### 4.17 Financial guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognized in the financial statements at fair value, in “Other liabilities”, being the premium received. Following initial recognition, the Bank’s liability under each guarantee is measured at the higher of the amortised premium and the best estimate of expenditure required settling any financial obligation arising as a result of the guarantee.

#### 4.18 Share capital

##### *Share capital*

Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

##### *Share premium*

Share premium includes any premium received from the issue of shares. Any expense in respect of transaction which is related to the issue of shares is reduced from the share premium.

### *Retained earnings*

Include retained earnings of current and previous periods.

### *Dividends*

Dividends for preference shares are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorised for issue.

Dividends paid to shareholders are payable from the profit after tax and according to the Tax legislation of RA are non-taxable

### *Property revaluation reserve*

The property revaluation reserve is used to record increases in the fair value of buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

### *Revaluation reserve for available-for-sale securities*

This reserve records fair value changes in available-for-sale-investments.

## 4.19 Offsetting

Financial assets and liabilities, and income and expenses, are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

## 4.20 Segment reporting

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Bank's other components. In identifying its operating segments, management generally distinguishes components of the Bank that is engaged in providing products or services (business segment) and for which discrete financial information is available. All operating segments' operating results are reviewed regularly by the Bank's CEO to make decisions about resources to be allocated to the segment and assess its performance. Geographical segments of the Bank have been reported separately within these financial statements based on the ultimate domicile of the counterparty, e.g. based on economic risk rather than legal risk of the counterparty.

## 5 Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

The most significant areas of judgements and estimates with regards to these financial statements are presented below:

***Measurement of fair values***

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see note 32).

***Classification of investment securities***

Securities owned by the Bank comprise of CBA, Armenian state and corporate bonds. Upon initial recognition, the Bank designates securities as available-for-sale financial assets recognition of changes in fair value through equity.

***Useful Life of PPE***

Useful life evaluation of PPE is the result of judgement, based on the experience with similar assets. Future economic benefits are embodied in assets and mainly consumed along with usage. However, such factors as operational, technical or commercial depreciation often lead to decrease of asset's economic benefit. Management evaluates the remaining useful life according to the asset's current technical condition and estimated period, during which the Bank expects to receive benefits. For the evaluation of remaining useful life are considered the following main factors: expectable usage of assets, depending on the operational factors and maintenance program, that is depreciation and technical and commercial depreciation arising from the changes in the market conditions.

***Derivatives***

The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques. Valuation of financial derivatives is applied to single currency interest rate swap transactions, cross currency interest swap transactions and foreign exchange forward contracts. The fair value of these transactions is determined as the difference between the present value of fixed receivable and the present value of floating obligation or vice versa. The present value of floating obligation is determined using discount factors derived from the zero coupon curve. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require Management to make estimates. Changes in assumptions about these factors could affect reported fair values. Any over or under estimation of these future cash flows could require a material adjustment to the carrying value of these derivatives.

***Related party transactions***

In the normal course of business the Bank enters into transactions with its related parties. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. (see note 31).

***Impairment of loans and receivables***

The Bank reviews its problem loans and advances at each reporting date to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when



determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowances against individually significant loans and advances, the Bank also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This take into consideration factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

#### *Tax legislation*

Armenian tax legislation is subject to varying interpretations. Refer to Note 30.

The Management of the Bank has not reviewed its previous estimations, i.e. has not derecognized previously estimated deferred tax liability related to the fixed assets and continues its tax accounting as before.

#### *Impairment of available-for-sale equity investments*

The Bank determined that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged required judgement. In making this judgement, the Bank evaluates among other factors, the volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational or financing cash flows.

## 6 Interest and similar income and expense

In thousand Armenian drams	2016	2015
Loans and advances to customers	19,596,435	17,812,124
Debt investment securities available-for-sale	1,331,614	910,778
Amounts due to financial institutions	91,578	39,957
Reverse repurchase transactions	86,416	-
Interest accrued on individually impaired financial assets	187,066	951,323
Derivative instruments	36,862	-
Factoring	-	215
<b>Total interest and similar income</b>	<b>21,329,971</b>	<b>19,714,397</b>
Amounts due to customers	10,268,285	9,738,417
Amounts due to financial institutions	927,321	1,431,835
Government loans	175,932	47,348
Repurchase transactions	207,360	599,890
Borrowings	1,255,391	1,613,872
Bonds issued	134,638	-
<b>Total interest and similar expense</b>	<b>12,968,927</b>	<b>13,431,362</b>



## 7 Fee and commission income and expense

In thousand Armenian drams	2016	2015
Cash collection	520,944	892,244
Plastic cards operations	170,710	189,909
Guarantees and letters of credit	41,689	45,133
Foreign currency translation operations	80,832	88,545
Other fees and commissions	222,393	119,071
<b>Total fee and commission income</b>	<b>1,036,568</b>	<b>1,334,902</b>

Wire transfer fees	95,529	81,943
Plastic cards operations	142,538	143,726
Foreign currency translation operations	3,410	4,466
Stock exchange services	18,420	9,493
Other expenses	29,688	18,073
<b>Total fee and commission expense</b>	<b>289,585</b>	<b>257,701</b>

## 8 Net trading income

In thousand Armenian drams	2016	2015
Gains less losses from transactions in foreign currencies	594,467	724,110
Gains less losses from derivatives	(256,470)	(46,121)
Loss from security operations	(67,280)	-
<b>Total net trading income</b>	<b>270,717</b>	<b>677,989</b>

## 9 Other income

In thousand Armenian drams	2016	2015
Fines and penalties received	1,105,394	1,054,899
Foreign currency translation net gains of non-trading assets and liabilities	181,453	179,415
Reversal of impairment of repossessed assets	126,836	-
Gains from operations of precious metals	3,730	-
Reversal of impairment of PPE	-	120,003
Other income	35,346	29,440
<b>Total other income</b>	<b>1,452,759</b>	<b>1,383,757</b>

## 10 Impairment charge

In thousand Armenian drams	2016	2015
Loans and advances to customers (Note 18)	4,429,112	2,392,158
Other assets (Note 22)	7,856	6,237
<b>Total impairment charge</b>	<b>4,436,968</b>	<b>2,398,395</b>

## 11 Staff costs

In thousand Armenian drams	2016	2015
Compensations of employees, related taxes included	3,125,380	3,069,378
Staff training and other costs	2,869	1,432
<b>Total staff costs</b>	<b>3,128,249</b>	<b>3,070,810</b>

## 12 Other expenses

In thousand Armenian drams	2016	2015
Fixed assets maintenance	549,324	271,418
Advertising costs	334,651	299,572
Business trip expenses	19,620	13,906
Communications	129,651	127,837
Operating lease	669,671	771,161
Taxes, other than income tax, duties	412,076	352,712
Consulting and other services	88,094	192,044
Security	58,697	58,654
Representative expenses	113,470	51,140
Office supplies	63,922	68,407
Penalties paid	1,878	1,550
Operations with precious metals	-	4,592
Deposit insurance	260,989	179,348
Computer software maintenance	41,001	41,001
Cash collection services	69,336	69,336
Loss on impairment of PPE	89,434	16,122
Loss on disposal of PPE	16,731	17,021
Loss on impairment of repossessed assets	-	183,065
Loss on disposal of repossessed assets	82,385	40,109
Other expenses	149,653	153,725
<b>Total other expense</b>	<b>3,150,583</b>	<b>2,912,720</b>

## 13 Income tax expense

In thousand Armenian drams	2016	2015
Current tax expense	149,795	98,150
Deferred tax	(125,246)	89,678
<b>Total income tax expense</b>	<b>24,549</b>	<b>187,828</b>

The corporate income tax within the Republic of Armenia is levied at the rate of 20% (2015: 20%). Differences between IFRS and RA statutory tax regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes. Deferred income tax is calculated using the principal tax rate of 20%.

Numerical reconciliation between the tax expenses and accounting profit/(loss) is provided below:

In thousand Armenian drams	2016	Effective rate (%)	2015	Effective rate (%)
<b>Profit/(loss) before tax</b>	<b>(418,669)</b>		546,309	
Income tax at the rate of 20%	<b>(83,734)</b>	<b>(20)</b>	109,262	20
Non-taxable income	<b>(7,480)</b>	<b>(2)</b>	(24,001)	(4)
Other taxable income	<b>4,687</b>	<b>1</b>	1,777	-
Non-deductible expenses	<b>96,073</b>	<b>23</b>	126,531	23
Gains less losses from derivatives	<b>51,294</b>	<b>12</b>	9,224	1
Foreign exchange gains	<b>(36,291)</b>	<b>(9)</b>	(34,965)	(6)
<b>Income tax expense</b>	<b>24,549</b>	<b>5</b>	187,828	34

Deferred tax calculation in respect of temporary differences:

In thousand Armenian drams	As of 31 December 2015	Recognized in profit or loss	Recognized in equity	As of 31 December 2016
Other liabilities	52,083	10,763	-	62,846
Securities available for sale	229,565	-	(132,962)	96,603
Other assets	36,613	(36,613)	-	-
<b>Total deferred tax assets</b>	<b>318,261</b>	<b>(25,850)</b>	<b>(132,962)</b>	<b>159,449</b>
Contingent liabilities	(22,642)	126	-	(22,516)
Amounts due from other financial institutions	(7,030)	(2,933)	-	(9,963)
Loans and advances to customers	(922,286)	152,149	-	(770,137)
PPE	(97,344)	1,754	(219,221)	(314,811)
<b>Total deferred tax liability</b>	<b>(1,049,302)</b>	<b>151,096</b>	<b>(219,221)</b>	<b>(1,117,427)</b>
<b>Net deferred tax liability</b>	<b>(731,041)</b>	<b>125,246</b>	<b>(352,183)</b>	<b>(957,978)</b>

In thousand Armenian drams	As of 31 December 2014	Recognized in profit or loss	Recognized in equity	As of 31 December 2015
Other liabilities	63,388	(11,305)	-	52,083
Securities available for sale	135,932	-	93,633	229,565
Other assets	-	36,613	-	36,613
<b>Total deferred tax assets</b>	<b>199,320</b>	<b>25,308</b>	<b>93,633</b>	<b>318,261</b>
Contingent liabilities	(20,665)	(1,977)	-	(22,642)
Amounts due from other financial institutions	(8,360)	1,330	-	(7,030)
Loans and advances to customers	(806,744)	(115,542)	-	(922,286)
PPE	(89,390)	1,203	(9,157)	(97,344)
<b>Total deferred tax liability</b>	<b>(925,159)</b>	<b>(114,986)</b>	<b>(9,157)</b>	<b>(1,049,302)</b>
<b>Net deferred tax liability</b>	<b>(725,839)</b>	<b>(89,678)</b>	<b>84,476</b>	<b>(731,041)</b>

#### 14 Earnings/(loss) per share

In thousand Armenian drams	2016	2015
Profit/(loss) for the year	(443,218)	358,481
Dividends on preferred shares	(160,053)	(202,998)
Income/(loss) less dividends on preferred shares	(603,271)	155,483
Weighted average number of ordinary shares	173,320,463	99,163,757
<b>Earnings/(loss) per share – basic</b>	<b>(0.00348)</b>	<b>0.00157</b>

#### 15 Cash and cash equivalents

In thousand Armenian drams	As of 31 December 2016	As of 31 December 2015
Cash on hand	7,186,662	7,147,554
Correspondent account with the CBA	23,274,349	15,849,237
Placements with other banks	3,086,625	3,016,032
<b>Total cash and cash equivalents</b>	<b>33,547,636</b>	<b>26,012,823</b>

As at 31 December 2016 correspondent account with Central Bank of Armenia represents the obligatory minimum reserve deposits with the CBA, which is computed at 2% of certain obligations of the Bank denominated in Armenian drams and 18% of certain obligations of the Bank, denominated in foreign currency and amounts to AMD 15,656,074 thousand (2015: 2% and 20% respectively, AMD 14,289,553 thousand). There are no restrictions on the withdrawal of funds from the CBA, however, if minimum average requirement is not met, the Bank could be subject to penalties. Cash on hand, other money market placements, correspondent account, deposited funds with CBA and mandatory reserve deposits are non-interest bearing.

As at 31 December 2016 the accounts in amount of AMD 2,439,644 thousand (79%) (2015: AMD 2,130,517 thousand (71%)) were due from two commercial banks.

Non-cash transactions performed by the Bank during 2016 are represented by:

- repayment of AMD 3,595,345 thousand loan by transfer of property rights on pledge (2015: AMD 408,225 thousand).

#### 16 Amounts due from financial institutions

In thousand Armenian drams	As of 31 December 2016	As of 31 December 2015
Deposited funds with the CBA	510,000	510,000
Reverse repurchased agreements	2,002,157	-
Deposits in financial institutions	736,357	735,854
Loans to financial institutions	20,033	-
<b>Total amounts due from other financial institutions</b>	<b>3,268,547</b>	<b>1,245,854</b>

Deposited funds with CBA include a guaranteed deposit for settlements via ArCa payment system.

Fair value of assets pledged and carrying value of loans under reverse repurchase agreements as at 31 December 2016 are presented as follows:

In thousand Armenian drams	2016		2015	
	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans
RA state securities	2,123,227	2,002,157	-	-
<b>Total assets pledged and loans under reverse repurchase agreements</b>	<b>2,123,227</b>	<b>2,002,157</b>	<b>-</b>	<b>-</b>

## 17 Derivative financial instruments

In thousand Armenian drams	2016			2015		
	Notional amount	Fair value of assets	Fair value of liabilities	Notional amount	Fair value of assets	Fair value of liabilities
<b>Derivatives held for trading</b>						
Swaps – foreign currency	1,693,790	99,004	-	-	-	-
<b>Total derivative financial instruments</b>	<b>1,693,790</b>	<b>99,004</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time. The fair values of derivative instruments held are set out below.

## 18 Loans and advances to customers

In thousand Armenian drams	As of 31 December 2016	As of 31 December 2015
Loans to customers	104,462,281	94,018,528
Overdraft	20,108,572	20,736,215
	<b>124,570,853</b>	<b>114,754,743</b>
Less allowances for impairment of loans and advances	(5,943,790)	(4,573,195)
<b>Total loans and advances to customers</b>	<b>118,627,063</b>	<b>110,181,548</b>

As of 31 December 2016 accrued interest included in loans and advances to customers amounted to AMD 7,568,148 thousand (2015: AMD 6,576,740 thousand).

As of 31 December 2016 the average effective interest rates on loans and advances to corporate customers were 13.65% for loans in AMD, 13.28% for loans in USD, 15.41% for loans in RUB, 12.79% for loans in EUR. And the average effective interest rates on loans and advances to individuals were 21.66% for loans in AMD, 14.39% for loans in USD, 12.19% for loans in EUR, 19.49% for loans in RUB (2015: on loans and advances to corporate customers 16.09% for loans in AMD, 15.3% for loans in USD, 14.16% for loans in EUR, and to individuals 25.46% for loans in AMD, 17.59% for loans in USD, 11.92% for loans in EUR, 19.49% for loans in RUB).

As of 31 December 2016, the Bank had a concentration of loans represented by AMD 27,772,226 thousand due from the 15 largest third party entities and parties related with them (22% of gross loan portfolio) (2015: AMD 23,339,952 thousand or 20% due from the 15 largest third party entities and parties related with them). An allowance of AMD 1,308,341 thousand (2015: AMD 1,496,852 thousand) was made against these loans.

Reconciliation of allowance account for losses on loans and advances by economic sectors is as follows:

In thousand Armenian drams	As of 31 December 2016	As of 31 December 2015
Manufacture	9,859,654	9,503,504
Agriculture	702,761	684,061
Construction	5,487,155	4,542,902
Transportation	3,916,190	4,235,454
Trade	24,952,250	23,902,749
Services	8,879,170	8,888,679
Consumer	47,898,778	41,191,322
Mortgage	12,600,173	14,162,071
Other	10,274,722	7,644,001
	<b>124,570,853</b>	114,754,743
Less allowances for impairment of loans and advances	<b>(5,943,790)</b>	(4,573,195)
<b>Total loans and advances</b>	<b>118,627,063</b>	110,181,548

Reconciliation of allowance account for losses on loans and advances by class is as follows:

In thousand Armenian drams	2016									
	Manu- facture	Agri- culture	Const- ruction	Transport	Trading	Services	Con- sumer	Mort- gage	Other	Total
At 1 January 2016	266,353	21,000	85,468	504,175	1,248,540	1,068,221	946,317	352,011	81,110	4,573,195
Charge/(reversal) for the year	286,698	15,763	213,934	207,889	564,577	(292,011)	2,657,130	320,845	454,287	4,429,112
Amounts written off	(376,348)	(17,791)	(4,609)	(244,320)	(671,174)	(248,097)	(3,097,785)	(454,972)	(893)	(5,115,989)
Recoveries	290,029	5,405	29,548	37,015	584,870	21,367	721,727	313,149	54,362	2,057,472
At 31 December 2016	466,732	24,377	324,341	504,759	1,726,813	549,480	1,227,389	531,033	588,866	5,943,790
Individual impairment	377,928	17,643	275,797	496,938	1,529,388	502,611	215,537	301,106	502,630	4,219,578
Collective impairment	88,804	6,734	48,544	7,821	197,425	46,869	1,011,852	229,927	86,236	1,724,212
	466,732	24,377	324,341	504,759	1,726,813	549,480	1,227,389	531,033	588,866	5,943,790
Gross amount of loans individually determined to be impaired, before deducting any individually assessed impairment allowance	979,218	29,404	632,716	3,134,141	5,217,432	4,192,285	408,659	921,433	1,009,624	16,524,912

In thousand Armenian drams	2015									
	Manu- facture	Agri- culture	Const- ruction	Transport	Trading	Services	Con- sumer	Mort- gage	Other	Total
At 1 January 2015	1,012,858	7,786	47,730	410,665	1,079,786	1,001,857	682,390	200,413	72,632	4,516,117
Charge/(reversal) for the year	(817,497)	46,254	(156,456)	179,745	111,710	(21,885)	2,673,973	362,396	13,918	2,392,158
Amounts written off	(114,666)	(37,863)	(26,917)	(89,635)	(526,328)	(6,566)	(3,255,347)	(408,053)	(6,288)	(4,471,663)
Recoveries	185,658	4,823	221,111	3,400	583,372	94,815	845,301	197,255	848	2,136,583
At 31 December 2015	<u>266,353</u>	<u>21,000</u>	<u>85,468</u>	<u>504,175</u>	<u>1,248,540</u>	<u>1,068,221</u>	<u>946,317</u>	<u>352,011</u>	<u>81,110</u>	<u>4,573,195</u>
Individual impairment	181,249	14,399	46,364	494,971	1,035,908	1,049,140	337,451	242,513	4,873	3,406,868
Collective impairment	85,104	6,601	39,104	9,204	212,632	19,081	608,866	109,498	76,237	1,166,327
	<u>266,353</u>	<u>21,000</u>	<u>85,468</u>	<u>504,175</u>	<u>1,248,540</u>	<u>1,068,221</u>	<u>946,317</u>	<u>352,011</u>	<u>81,110</u>	<u>4,573,195</u>
Gross amount of loans individually determined to be impaired, before deducting any individually assessed impairment allowance	993,073	23,999	632,471	3,315,050	2,639,554	6,980,571	600,288	3,212,230	20,303	18,417,539

Loans and advances by customer profile may be specified as follows:

In thousand Armenian drams	As of 31 December 2016	As of 31 December 2015
State owned enterprises	323,214	323,190
Privately held companies	51,531,905	47,031,132
Individuals	61,433,218	56,288,029
Sole proprietors	11,282,516	11,112,392
	<u>124,570,853</u>	<u>114,754,743</u>
Less allowance for impairment of loans and advances	(5,943,790)	(4,573,195)
<b>Total loans and advances to customers</b>	<b><u>118,627,063</u></b>	<b><u>110,181,548</u></b>

Loans to individuals comprise the following products:

In thousand Armenian drams	As of 31 December 2016	As of 31 December 2015
Mortgage loans	12,600,173	14,162,071
Consumer loans	47,350,203	39,886,245
Car loans	537,475	1,305,077
Other	945,367	934,636
<b>Total loans and advances to individuals</b>	<b><u>61,433,218</u></b>	<b><u>56,288,029</u></b>

As at 31 December 2016 and 2015 the estimated fair value of loans and advances to customers approximates its carrying value. Refer to Note 32.

Other analyses of loans and advances to customers are disclosed in Note 35. The information on related party balances is disclosed in Note 31.

Maturity analysis of loans and advances to customers are disclosed in Note 34.

## 19 Available-for-sale investments

In thousand Armenian drams	As of 31 December 2016	As of 31 December 2015
<b>Unquoted investments</b>		
Shares of Armenian companies	12,690	12,690
RA state bonds	13,902,603	4,177,724
Corporate bonds	484,661	221,447
<b>Total investments</b>	<b>14,399,954</b>	<b>4,411,861</b>

All debt securities have fixed coupons.

The fair value of unquoted available-for-sale debt securities is measured using a valuation technique, which uses current market rates to discount future cash flows of the financial instruments.

Available for sale debt securities by efficient interest rates and maturity date comprise:

In thousand Armenian drams	%	2016 Maturity	%	2015 Maturity
RA state bonds	5.72-14.94%	2018-2028	6.23-14.10%	2015-2028

As of 31 December 2015 available-for-sale debt securities at fair value of AMD 4,136,760 thousand were pledged to third parties in sale and repurchase agreements for periods not exceeding six months. These have been reclassified as securities pledged under repurchase agreements on the face of the balance sheet (Note 28).

All unquoted available-for-sale shares are recorded at cost less impairment losses, as the fair value cannot be reliably estimated. There is no quoted market for these investments and the Bank intends to keep them for a long time.



## 20 Property, plant and equipment

In thousand Armenian drams

	Land and buildings	Leasehold improve- ments	Computer and communi- cation technologies	Vehicles	Fixtures and fittings	Total
<b>COST AND REVALUED AMOUNT</b>						
<b>At January 1, 2015</b>	3,400,400	385,217	1,020,942	297,181	2,386,881	7,490,621
Additions	50,010	25,598	71,625	2,198	225,687	375,118
Disposals	-	(5,753)	(36,697)	(119,852)	(80,699)	(243,001)
Revaluation of PPE	149,663	-	-	-	-	149,663
Depreciation adjustment as a result of revaluation	(233,719)	-	-	-	-	(233,719)
<b>At 31 December 2015</b>	<b>3,366,354</b>	<b>405,062</b>	<b>1,055,870</b>	<b>179,527</b>	<b>2,531,869</b>	<b>7,538,682</b>
Additions	1,150,991	36,811	133,312	2,526	707,843	2,031,483
Disposals	(94,314)	-	(30,759)	-	(30,092)	(155,165)
Revaluation of PPE	1,006,672	-	-	-	-	1,006,672
Depreciation adjustment as a result of revaluation	(120,938)	-	-	-	-	(120,938)
Reclassification	299,994	(299,994)	-	-	-	-
<b>At 31 December 2016</b>	<b>5,608,759</b>	<b>141,879</b>	<b>1,158,423</b>	<b>182,053</b>	<b>3,209,620</b>	<b>10,300,734</b>
<b>ACCUMULATED DEPRECIATION</b>						
At January 1, 2015	185,313	87,357	636,889	118,705	1,319,901	2,348,165
Depreciation charge	57,955	10,715	95,413	32,006	216,863	412,952
Disposals	-	(5,753)	(36,097)	(69,968)	(42,240)	(154,058)
Depreciation adjustment as a result of revaluation	(233,719)	-	-	-	-	(233,719)
<b>At 31 December 2015</b>	<b>9,549</b>	<b>92,319</b>	<b>696,205</b>	<b>80,743</b>	<b>1,494,524</b>	<b>2,373,340</b>
Depreciation charge	68,867	6,222	129,216	26,060	219,648	450,013
Disposals	(1,813)	-	(30,236)	-	(21,345)	(53,394)
Depreciation adjustment as a result of revaluation	(120,938)	-	-	-	-	(120,938)
Reclassification	56,177	(56,177)	-	-	-	-
<b>At 31 December 2016</b>	<b>11,842</b>	<b>42,364</b>	<b>795,185</b>	<b>106,803</b>	<b>1,692,827</b>	<b>2,649,021</b>
<b>CARRYING VALUE</b>						
<b>At 31 December 2016</b>	<b>5,596,917</b>	<b>99,515</b>	<b>363,238</b>	<b>75,250</b>	<b>1,516,793</b>	<b>7,651,713</b>
At 31 December 2015	3,356,805	312,743	359,665	98,784	1,037,345	5,165,342

### Revaluation of assets

The land and buildings owned by the Bank were evaluated by an independent appraiser in December 2016 using the comparative sales methods resulting in a net decrease in amount of AMD 1,006,672 thousand (2015: AMD 149,663 thousand). Management has based their estimate of the fair value of the land and buildings on the results of the independent appraisal.

If the land and buildings were presented in difference of cost and accumulated depreciation the carrying value would have been AMD 4,512,820 thousand as at 31 December 2016 (2015: AMD 3,192,114 thousand).

### Fully depreciated items

As at 31 December 2016 fixed assets included fully depreciated and amortized assets in cost of AMD 1,203,695 thousand (2015: AMD 1,036,034 thousand).

*Fixed assets in the phase of installation*

As at 31 December 2016 fixed assets included assets in the phase of installation amounting AMD 737,736 thousand, containing buildings in amount of AMD 18,200 thousand (2015: AMD 466,468 thousand, containing buildings in amount of AMD 17,830 thousand)

*Restrictions on title of fixed assets*

As at 31 December 2016, the Bank did not possess any fixed assets pledged as security for liabilities or whose title is otherwise restricted.

*Contractual commitments*

As at 31 December 2016, the Bank had no contractual commitment in respect of investments in fixed assets (2015: nil).

## 21 Intangible assets

In thousand Armenian drams

	Licenses	Acquired software licenses	Other	Total
<b>COST</b>				
At January 1, 2015	922,811	535,272	100,433	1,558,516
Additions	8,027	132,035	-	140,062
<b>At 31 December 2015</b>	<b>930,838</b>	<b>667,307</b>	<b>100,433</b>	<b>1,698,578</b>
Additions	6,104	143,720	588	150,412
Disposals	-	(115)	-	(115)
<b>At 31 December 2016</b>	<b>936,942</b>	<b>810,912</b>	<b>101,021</b>	<b>1,848,875</b>
<b>AMORTISATION</b>				
At January 1, 2015	113,086	133,564	57,084	303,734
Amortisation charge	58,510	19,898	2,388	80,796
<b>At 31 December 2015</b>	<b>171,596</b>	<b>153,462</b>	<b>59,472</b>	<b>384,530</b>
Amortisation charge	56,491	25,470	2,398	84,359
Disposals	-	(115)	-	(115)
<b>At 31 December 2015</b>	<b>228,087</b>	<b>178,817</b>	<b>61,870</b>	<b>468,774</b>
<b>CARRYING VALUE</b>				
<b>At 31 December 2016</b>	<b>708,855</b>	<b>632,095</b>	<b>39,151</b>	<b>1,380,101</b>
At 31 December 2015	759,242	513,845	40,961	1,314,048

*Contractual commitments*

As at 31 December 2016, the Bank did not have contractual commitments in respect of investments in intangible assets.

As at 31 December 2016, the Bank did not possess any intangible assets pledged as security for liabilities or whose title is otherwise restricted.

As at 31 December 2016, the licenses included the software license for clearing operations with plastic cards at the carrying amount of AMD 534,750 thousand (2015: AMD 580,189 thousand).

## 22 Other assets

In thousand Armenian drams	As of 31 December 2016	As of 31 December 2015
Prepayments and other debtors	488,267	1,264,949
Accounts receivable	153,094	39,996
Other assets	564,424	343,092
	<b>1,205,785</b>	<b>1,648,037</b>
Less allowance for impairment	(10,522)	(16,081)
	<b>1,195,263</b>	<b>1,631,956</b>
Reposessed assets	4,993,452	3,601,921
Other prepaid taxes	-	1,565
Materials	96,273	99,758
Precious metals	56,073	52,343
<b>Total other assets</b>	<b>6,341,061</b>	<b>5,387,543</b>

Reposessed assets serving as security for loans extended by the Bank are real estate. The assets are measured at the lower of their carrying amount and fair value less costs to sell.

Reconciliation of allowance account for losses on other assets is as follows:

In thousand Armenian drams	Total
<b>At January 1, 2015</b>	9,844
Charge for the year	6,237
<b>At 31 December 2015</b>	<b>16,081</b>
Charge for the year	7,856
Reversal for the year	(13,415)
<b>At 31 December 2016</b>	<b>10,522</b>

## 23 Amounts due to financial institutions

In thousand Armenian drams	As of 31 December 2016	As of 31 December 2015
Correspondent accounts of other banks	4,217	84,849
Current accounts of other financial institutions	84,011	47,836
Loans from financial institutions	4,006,148	17,117,304
Loans under repurchase agreements	-	4,002,028
Deposits from financial institutions	948,312	1,003,495
<b>Total amounts due to financial institutions</b>	<b>5,042,688</b>	<b>22,255,512</b>

As of 31 December 2016 the average effective interest rates on amounts due to financial institutions was 8.98% for borrowings in AMD (2015: 9.79%) and 6.2% for borrowings in USD (2015: 6.8%).

All deposits from financial institutions have fixed interest rates. Loans have variable and fixed interest rates.

The Bank has not had any defaults of principal, interest or other breaches with respect to its liabilities during the period (2015: nil).

## 24 Amounts due to customers

In thousand Armenian drams	As of 31 December 2016	As of 31 December 2015
<b>Corporate customers</b>		
Current/Settlement accounts	6,338,541	6,536,569
Time deposits	21,520,427	6,997,688
	<b>27,858,968</b>	13,534,257
<b>Retail customers</b>		
Current/Demand accounts	6,870,910	5,614,865
Time deposits	93,282,691	84,461,903
	<b>100,153,601</b>	90,076,768
<b>Total amounts due to customers</b>	<b>128,012,569</b>	103,611,025

Deposits from corporate and retail customers carry fixed interest rates.

As at 31 December 2016 included in current and time deposit accounts of retail and corporate customers are deposits amounting to AMD 15,228,974 thousand (2015: AMD 7,011,401 thousand), held as security against loans provided and guarantees issued. The fair value of those deposits approximates the carrying amount.

At 31 December 2016 the aggregate balance of top ten retail and corporate customers of the Bank amounts to AMD 28,217,786 thousand (2015: AMD 8,724,848 thousand) or 22% of total retail and corporate customer accounts (2015: 9.5%).

The Bank has not had any defaults of principal, interest or other breaches with respect to its liabilities during the period (2015: nil).

As of 31 December 2016 the average effective interest rates on amounts due to corporate customers were 13.2% for liabilities in AMD, 5.93% for liabilities in USD, 3.73% for liabilities in EUR. The average effective interest rates on amounts due to individuals were 13.27% for liabilities in AMD, 6.24% for liabilities in USD, 6.6% for liabilities in EUR (2015: for corporate customers 13.59% for liabilities in AMD, 8.85% for liabilities in USD, 7.56% for liabilities in EUR, and for individuals 17.33% for liabilities in AMD, 7.66% for liabilities in USD, 6.6% for liabilities in EUR).

## 25 Borrowings

In thousand Armenian drams	As of 31 December 2016	As of 31 December 2015
Subordinated debt provided by non-financial organizations	7,714,584	5,273,785
Loans from RA Government	3,125,813	559,699
Other borrowing	2,419,990	2,237,706
<b>Total subordinated debt</b>	<b>13,260,387</b>	8,071,190

The amounts due to Government of the RA represent loans received from the International Fund for Agricultural Development within the scope of “Rural Areas Development Programme” and “Economy stabilization lending programme”. Loans carry fixed interest rates.

The Bank has borrowed long-term subordinated debt and short-term revolving borrowing from the party related to Bank (see note 31).

As of 31 December 2016 the average effective interest rate on amounts due to Government of the RA was 7.39% for loans in AMD, 4.06% for loans in USD (2015: the average effective interest rate was 7.15% for loans in AMD, 4.06% for loans in USD).

The Bank has not had any defaults of principal, interest or other breaches with respect to its liabilities during the period (2015: nil).

As of 31 December 2016 average weighted interest rate of borrowings was 12.87% (2015: 10.28%).

## 26 Debt securities issued

In thousand Armenian drams	2016	2015
Non-current bonds	2,652,531	-
<b>Total debt securities issued</b>	<b>2,652,531</b>	<b>-</b>

During 2016 18,482 nominal coupon bonds have been issued with nominal value of AMD 10,000, 13.5% of interest rate and maturing up to 2018.

During 2016 50,000 nominal coupon bonds have been issued with nominal value of USD 100, 8% of interest rate and maturing up to 2018.

The Bank has not had any defaults of principal, interest or other breaches with respect to its liabilities during the period.

## 27 Other liabilities

In thousand Armenian drams	As of 31 December 2016	As of 31 December 2015
Accounts payables	155,691	114,587
Dividends payable	-	86,797
Due to personnel	214,485	155,135
<b>Total other financial liabilities</b>	<b>370,176</b>	<b>356,519</b>
Tax payable, other than income tax	197,717	304,350
Revenues of future periods	59,000	41,596
Prepayments received	-	59,535
<b>Total other non-financial liabilities</b>	<b>256,717</b>	<b>405,481</b>
<b>Total other liabilities</b>	<b>626,893</b>	<b>762,000</b>

## 28 Securities pledged under repurchase agreements

In thousand Armenian drams	Asset		Liability	
	2016	2015	2016	2015
Investment securities (Note 19, 23)	-	4,136,760	-	4,002,028
	<u>-</u>	<u>4,136,760</u>	<u>-</u>	<u>4,002,028</u>

## 29 Equity

As at 31 December 2016 the Bank's registered and paid-in share capital was AMD 19,093,378 thousand. In accordance with the Bank's statute, the share capital consists of 158,923,780 ordinary shares, all of which have a par value of AMD 100 each and 32,010,000 preference shares, all of which have a par value of AMD 100 each.

The respective shareholdings as at 31 December 2016 and 2015 may be specified as follow:

In thousand Armenian drams	2016		2015	
	Paid-in share capital	% of total paid-in capital	Paid-in share capital	% of total paid-in capital
Ripatonso Holdings Ltd	16,805,935	88	-	-
Sfikaro Investments Ltd	1,231,903	6	-	-
Glovery Holding Ltd	-	-	13,100,700	92
Arolova Enterprises Ltd	708,284	4	509,395	4
Amixon Business Ltd	-	-	350,000	2
Other	347,256	2	207,852	2
	<u>19,093,378</u>	<u>100</u>	<u>14,167,947</u>	<u>100</u>

As at 31 December 2016 the Bank did not possess any of its own shares.

In 2016 the Bank increased its share capital by AMD 11,328,490 thousand, from which the share premium was AMD 6,403,059 thousand (2015: AMD 2,454,669 thousand, from which the share premium was AMD 1,387,422 thousand). The share capital of the Bank was contributed by the shareholders in Armenian Drams and they are entitled to dividends and any capital distribution in Armenian Drams.

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at annual and general meetings of the Bank. The holders of preference shares are entitled to one vote only at reorganization and liquidation of the Bank and when decisions of the statute limit their rights, as well as they have guaranteed annual dividend.

As at 31 December 2016 the dividends for preference shareholders recognized in the financial statements amounted to AMD 160,053 thousand (2015: AMD 202,998 thousand).

Distributable among shareholders reserves equal the amount of retained earnings. Non-distributable reserves are represented by a reserve fund, which is created as required by the statutory regulations, in respect of general banking risks, including future losses and other unforeseen risks or contingencies. The reserve has been created in accordance with the Bank's statutes that provide for

the creation of a reserve for these purposes of not less than 15% of the Bank's share capital reported in statutory books.

### 30 Contingent liabilities and commitments

#### *Tax and legal matters*

The taxation system in Armenia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. Taxes are subject to review and investigation by tax authorities, which have the authority to impose fines and penalties. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by tax authorities once three years have elapsed from the date of the breach.

These circumstances may create tax risks in Armenia that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Armenian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

#### *Loan commitment, guarantee and other financial facilities*

In the normal course of business, the Bank is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the statement of financial position.

As of 31 December the nominal or contract amounts were:

In thousand Armenian drams	As of 31 December 2016	As of 31 December 2015
Undrawn loan commitments	3,808,689	3,468,061
Guarantees	2,184,384	1,612,800
<b>Total commitments and contingent liabilities</b>	<b>5,993,073</b>	<b>5,080,861</b>

#### *Operating lease commitments – Bank as a lessee*

In the normal course of business the Bank enters into commercial lease agreements for its buildings and premises.

The future aggregate minimum lease payments under operating leases are as follows:

In thousand Armenian drams	As of 31 December 2016	As of 31 December 2015
Not later than 1 year	331,816	662,481
Later than 1 year and not later than 5 years	625,668	1,844,972
Later than 5 years	46,719	73,395
<b>Total operating lease commitments</b>	<b>1,004,203</b>	<b>2,580,848</b>

The aggregated minimum lease payments have increased mainly due to the prolongation of the head office lease contract term.

### Capital commitments

Information on the Bank's capital commitments is disclosed in notes 20 and 21.

### Insurance

The insurance industry in Armenia is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Bank anticipates partially coverage for business interruption, or for third party liability in respect of property or environmental damage arising from accidents on Bank property or relating to Bank operations. Until the Bank obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Bank's operations and financial position.

### 31 Transactions with related parties

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. For the purpose of the present financial statements, related parties include shareholders, members of Bank's Management as well as other persons and enterprises related with and controlled by them respectively.

The shareholder company is controlled by Russian businessmen G. Zaqaryan and G. Piskov with equal voting shares.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and other transactions.

The volumes of related party transactions, outstanding balances at the year end, and related expense and income for the year are as follows:

In thousand Armenian drams

	As of 31 December 2016		As of 31 December 2015	
	Shareholders	Key management personnel	Shareholders	Key management personnel
<b>Statement of financial position</b>				
<b>Assets</b>				
<b>Loans and advances to customers</b>				
Loans outstanding at January 1, gross	239,451	208,518	246,962	578,709
Loans issued during the year	3,551,055	148,155	2,477	215,676
Loan repayments during the year	(139,519)	(158,691)	(9,988)	(585,867)
Loans outstanding at 31 December gross	3,650,987	197,982	239,451	208,518
Less: allowance for loan impairment	(36,510)	(1,980)	(2,395)	(2,085)
<b>Loans outstanding at December 31</b>	<b>3,614,477</b>	<b>196,002</b>	<b>237,056</b>	<b>206,433</b>
<b>Amounts due from other financial institutions</b>				
At January 1	566,731	-	540,238	-
Increase	53,838,524	-	83,418,690	-
Decrease	(54,048,972)	-	(83,392,197)	-
<b>At December 31</b>	<b>356,283</b>	<b>-</b>	<b>566,731</b>	<b>-</b>
<b>Liabilities</b>				
<b>Amounts due to financial institutions</b>				
At January 1	874,173	-	890,535	-
Increase	6,670,222	-	7,623,634	-
Decrease	(7,104,244)	-	(7,639,996)	-
<b>At December 31</b>	<b>440,151</b>	<b>-</b>	<b>874,173</b>	<b>-</b>



In thousand Armenian drams

	As of 31 December 2016		As of 31 December 2015	
	Shareholders	Key management personnel	Shareholders	Key management personnel
<b>Amounts due to customers</b>				
At January 1	671,531	192,156	362,014	624,226
Deposits received during the year	35,735,685	1,609,908	31,543,725	2,052,752
Deposits repaid during the year	(35,957,424)	(1,560,870)	(31,234,208)	(2,484,822)
<b>At December 31</b>	<b>449,792</b>	<b>241,194</b>	<b>671,531</b>	<b>192,156</b>
<b>Borrowings</b>				
At January 1	7,511,491	-	11,466,893	-
Received during the year	43,330,941	-	33,042,171	-
Repaid during the year	(40,707,858)	-	(36,997,573)	-
<b>Borrowings at December 31</b>	<b>10,134,574</b>	<b>-</b>	<b>7,511,491</b>	<b>-</b>
<b>Statement of profit or loss and other comprehensive income</b>				
Interest and similar income	210,410	24,052	37,373	21,109
Interest and similar expenses	(1,273,155)	(50,748)	(2,071,004)	(48,983)
Charge/(recovery) of credit losses	(34,115)	105	(75)	(3,702)
Operating lease expenses	(307,473)	-	(312,000)	-
Insurance payments	(35,121)	-	(41,923)	-

The loans issued to the Bank's related parties during the year are repayable from 1 to 15 years and have interest rates of 12-21%.

Compensation of key management personnel was comprised of the following:

	As of 31 December 2016	As of 31 December 2015
Salaries and bonuses	590,026	631,517
<b>Total key management compensation</b>	<b>590,026</b>	<b>631,517</b>

## 32 Fair value measurement

The Bank's Management determines the policies and procedures for both recurring fair value measurement, such as unquoted trading and available-for-sale securities, buildings and for non-recurring measurement, such as assets held for sale.

External valuers are involved for valuation of significant assets, such as properties, trading and available-for-sale securities and derivatives. Involvement of external valuers is decided upon annually by the Bank's management.

At each reporting date, the Bank's Management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Bank's accounting policies. For this analysis, are verified the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Bank's Management, in conjunction with the Bank's external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

Financial and non-financial assets and liabilities measured at fair value in the statement of financial position are presented below. This hierarchy groups financial and non-financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### 32.1 Financial instruments that are not measured at fair value

The table below presents the fair value of financial assets and liabilities not measured at their fair value in the statement of financial position and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

In thousand Armenian drams	As of 31 December 2016				
	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
<b>FINANCIAL ASSETS</b>					
Cash and cash equivalents	-	33,547,636	-	33,547,636	33,547,636
Amounts due from other financial institutions	-	3,268,547	-	3,268,547	3,268,547
Loans and advances to customers	-	118,627,063	-	118,627,063	118,627,063
<b>FINANCIAL LIABILITIES</b>					
Amounts due to financial institutions	-	5,042,688	-	5,042,688	5,042,688
Amounts due to customers	-	128,012,569	-	128,012,569	128,012,569
Borrowings	-	13,260,387	-	13,260,387	13,260,387
Debt securities issued	-	2,695,156	-	2,695,156	2,652,531
Other financial liabilities	-	370,176	-	370,176	370,176

In thousand Armenian drams	As of 31 December 2015				
	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
<b>FINANCIAL ASSETS</b>					
Cash and cash equivalents	-	26,012,823	-	26,012,823	26,012,823
Amounts due from other financial institutions	-	1,245,854	-	1,245,854	1,245,854
Loans and advances to customers	-	110,181,548	-	110,181,548	110,181,548
<b>FINANCIAL LIABILITIES</b>					
Amounts due to financial institutions	-	22,255,512	-	22,255,512	22,255,512
Amounts due to customers	-	103,611,025	-	103,611,025	103,611,025
Borrowings	-	8,071,190	-	8,071,190	8,071,190
Other financial liabilities	-	356,519	-	356,519	356,519

#### *Amounts due from and to financial institutions*

For assets and liabilities maturing within one month, the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments. For the assets and liabilities maturing in over one month, the fair value was estimated as the present value of estimated future

cash flows discounted at the appropriate year-end market rates, which are mainly the same as current interest rates.

#### *Loans and advances to customers*

The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty and ranged from 9% to 24% per annum.

The fair value of the impaired loans is calculated based on expected cash flows from the sale of collateral. The value of collateral is based on appraisals performed by independent, professionally-qualified property valuers.

#### *Borrowings*

The estimated fair value of fixed interest-bearing deposits and other borrowings not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

### 32.2 Financial instruments that are measured at fair value

In thousand Armenian drams	As of 31 December 2016			
	Level 1	Level 2	Level 3	Total
<b>FINANCIAL ASSETS</b>				
Investments available for sale	-	14,387,264	-	14,387,264
Derivative financial assets	-	99,004	-	99,004
<b>Total</b>	-	14,486,268	-	14,486,268

In thousand Armenian drams	As of 31 December 2015			
	Level 1	Level 2	Level 3	Total
<b>FINANCIAL ASSETS</b>				
Investments available for sale	-	8,535,931	-	8,535,931
<b>Total</b>	-	8,535,931	-	8,535,931

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

#### *Unlisted equity investments.*

The fair value of Bank's investments in unlisted equity investments cannot be reliably measured and is therefore excluded from this disclosure. Refer to Note 19 for further information about this equity investment.

### 32.3 Fair value measurement of non-financial assets and liabilities

In thousand Armenian drams	As of 31 December 2016			
	Level 1	Level 2	Level 3	Total
<b>NON FINANCIAL ASSETS</b>				
Property plant and equipment				
<i>Land and buildings</i>	-	-	5,608,759	5,608,759
<b>Total non-financial assets</b>	-	-	5,608,759	5,608,759
<b>NET FAIR VALUE</b>	-	-	5,608,759	5,608,759

In thousand Armenian drams	As of 31 December 2015			
	Level 1	Level 2	Level 3	Total
<b>NON FINANCIAL ASSETS</b>				
Property plant and equipment				
<i>Land and buildings</i>	-	-	3,366,354	3,366,354
Total non-financial assets	-	-	3,366,354	3,366,354
<b>NET FAIR VALUE</b>	-	-	3,366,354	3,366,354

*Fair value measurements in Level 3*

The Bank's financial assets and liabilities classified in Level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The non-financial assets and non-financial obligations within this level can be reconciled from beginning to ending balance as follows:

In thousand Armenian drams	As of 31 December 2016	
	Property plant equipment	Total
<b>NON FINANCIAL ASSETS</b>		
<b>Balance as at 1 January 2016</b>	<b>3,366,354</b>	<b>3,366,354</b>
Net loss from impairment recognized in comprehensive income	(89,434)	(89,434)
Depreciation adjustment as a result of revaluation of PPE	(120,938)	(120,938)
Gain recognised in other comprehensive income	1,096,106	1,096,106
Additions	1,450,985	1,450,985
Disposal	(94,314)	(94,314)
<b>Balance as at 31 December, 2016</b>	<b>5,608,759</b>	<b>5,608,759</b>
<b>NET FAIR VALUE</b>	<b>5,608,759</b>	<b>5,608,759</b>

In thousand Armenian drams	2015	
	Property plant equipment	Total
<b>NON FINANCIAL ASSETS</b>		
Balance as at 1 January 2015	3,400,400	3,400,400
Net gain from impairment recognized in comprehensive income	103,881	103,881
Depreciation adjustment as a result of revaluation of PPE	(233,719)	(233,719)
Gains recognised in other comprehensive income	45,782	45,782
Additions	50,010	50,010
Balance as at 31 December, 2015	3,366,354	3,366,354
<b>NET FAIR VALUE</b>	<b>3,366,354</b>	<b>3,366,354</b>

Fair value of the Bank's main property assets is estimated based on appraisals performed by independent, professionally-qualified property valuers. The significant inputs and assumptions are developed in close consultation with Management. The valuation processes and fair value changes are reviewed by the board of directors and audit committee at each reporting date.

The appraisal was carried out using a comparative approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location, encumbrances and current use and other.

### 33 Offsetting of financial assets and financial liabilities

In the ordinary course of business, the Bank performs different operations with financial instruments which may be presented in net amounts when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The table below presents financial assets and financial liabilities that are offset in the statement of financial position or are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

In thousand Armenian  
drams

As at 31 December 2016

	Gross amount of recognised financial assets/ liabilities	Gross amount of recognised financial assets/ liabilities in the statement of financial position	Net amount of financial assets/ liabilities in the statement of financial position	Related amounts that are not offset in the statement of financial position		
				Financial instruments	Cash collateral received	Net
<b>Financial assets</b>						
Loans under reverse repurchase agreements (Note 16)	2,002,157	-	2,002,157	2,002,157	-	-

In thousand Armenian  
drams

As at 31 December 2015

	Gross amount of recognised financial assets/ liabilities	Gross amount of recognised financial assets/ liabilities in the statement of financial position	Net amount of financial assets/ liabilities in the statement of financial position	Related amounts that are not offset in the statement of financial position		
				Financial instruments	Cash collateral received	Net
<b>Financial liabilities</b>						
Loans under repurchase agreements (Note 23)	4,002,028	-	4,002,028	4,136,760	-	134,732

### 34 Maturity analysis of assets and liabilities

The table below shows an analysis of main financial assets and liabilities analyzed according to when they are expected to be recovered or settled. See Note 35.3 for the Bank's contractual undiscounted repayment obligations.

In thousand Armenian drams	As of 31 December 2016							
	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Subtotal less than 12 months	From 1 to 5 years	More than 5 years	Subtotal over 12 months	Total
<b>ASSETS</b>								
Cash and cash equivalents	33,547,636	-	-	33,547,636	-	-	-	33,547,636
Amounts due from other financial institutions	1,145,320	40,950	-	1,186,270	1,032,067	1,050,210	2,082,277	3,268,547
Derivative financial assets	99,004	-	-	99,004	-	-	-	99,004
Loans and advances to customers	18,813,969	17,949,658	27,732,206	64,495,833	45,502,662	8,628,568	54,131,230	118,627,063
Investments available for sale	3,213	363,099	1,367	367,679	10,060,199	3,972,076	14,032,275	14,399,954
	<u>53,609,142</u>	<u>18,353,707</u>	<u>27,733,573</u>	<u>99,696,422</u>	<u>56,594,928</u>	<u>13,650,854</u>	<u>70,245,782</u>	<u>169,942,204</u>
<b>LIABILITIES</b>								
Amounts due to financial institutions	193,962	979,024	1,252,654	2,425,640	1,491,262	1,125,786	2,617,048	5,042,688
Amounts due to customers	13,244,946	49,962,689	56,480,483	119,688,118	3,833,132	4,491,319	8,324,451	128,012,569
Borrowings	256,949	-	10,145,994	10,402,943	2,857,444	-	2,857,444	13,260,387
Debt securities issued	-	8,820	-	8,820	2,643,711	-	2,643,711	2,652,531
Other liabilities	305,665	64,511	-	370,176	-	-	-	370,176
	<u>14,001,522</u>	<u>51,015,044</u>	<u>67,879,131</u>	<u>132,895,697</u>	<u>10,825,549</u>	<u>5,617,105</u>	<u>16,442,654</u>	<u>149,338,351</u>
<b>Net position</b>	<u>39,607,620</u>	<u>(32,661,337)</u>	<u>(40,145,558)</u>	<u>(33,199,275)</u>	<u>45,769,379</u>	<u>8,033,749</u>	<u>53,803,128</u>	<u>20,603,853</u>
<b>Accumulated gap</b>	<u>39,607,620</u>	<u>6,946,283</u>	<u>(33,199,275)</u>		<u>12,570,104</u>	<u>20,603,853</u>		

In thousand Armenian drams	As of 31 December 2015							
	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Subtotal less than 12 months	From 1 to 5 years	More than 5 years	Subtotal over 12 months	Total
<b>ASSETS</b>								
Cash and cash equivalents	26,012,823	-	-	26,012,823	-	-	-	26,012,823
Amounts due from other financial institutions	735,854	-	-	735,854	-	510,000	510,000	1,245,854
Loans and advances to customers	17,333,604	17,623,158	21,570,598	56,527,360	44,080,251	9,573,937	53,654,188	110,181,548
Investments available for sale	-	4,984	-	4,984	4,406,877	-	4,406,877	4,411,861
Securities pledged under repurchase agreements	136,988	-	-	136,988	3,999,772	-	3,999,772	4,136,760
	<u>44,219,269</u>	<u>17,628,142</u>	<u>21,570,598</u>	<u>83,418,009</u>	<u>52,486,900</u>	<u>10,083,937</u>	<u>62,570,837</u>	<u>145,988,846</u>
<b>LIABILITIES</b>								
Amounts due to financial institutions	368,574	12,974,322	5,264,701	18,607,597	2,635,713	1,012,202	3,647,915	22,255,512
Amounts due to customers	12,103,737	46,552,905	44,344,798	103,001,440	360,788	248,797	609,585	103,611,025
Borrowings	1,334	559,699	-	561,033	2,352,488	5,157,669	7,510,157	8,071,190
Other liabilities	87,639	268,880	-	356,519	-	-	-	356,519
	<u>12,561,284</u>	<u>60,355,806</u>	<u>49,609,499</u>	<u>122,526,589</u>	<u>5,348,989</u>	<u>6,418,668</u>	<u>11,767,657</u>	<u>134,294,246</u>
<b>Net position</b>	<u>31,657,985</u>	<u>(42,727,664)</u>	<u>(28,038,901)</u>	<u>(39,108,580)</u>	<u>47,137,911</u>	<u>3,665,269</u>	<u>50,803,180</u>	<u>11,694,600</u>
<b>Accumulated gap</b>	<u>31,657,985</u>	<u>(11,069,679)</u>	<u>(39,108,580)</u>		<u>8,029,331</u>	<u>11,694,600</u>		

## 35 Risk management

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks.

Risk is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Bank's strategic planning process.

### *Board of Bank*

The Board is responsible for monitoring the overall risk management, approval of strategy and risk management principles.

### *Executive board*

The Executive board of the Bank is responsible for investment and control over the risk management procedures.

### *Risk Management Directorate*

The Risk Management Directorate is responsible for implementation of risk procedures and control over risk management principles, policy and the Bank's risk limits, as well as providing risk valuation and collection of overall information within the financial system.

### *Financial Directorate*

The Financial Directorate of the Bank is responsible for management of assets and liabilities of the Bank. It is also primarily responsible for the funding and liquidity risks of the Bank.

### *Internal audit*

Risk management processes throughout the Bank are audited annually by the internal audit that examines both the integrity of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

### *Risk measurement and reporting systems*

The Bank also runs worst case scenarios that would arise in the event that extreme events which are to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition the Bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks types and activities.

### *Risk mitigation*

As part of its overall risk management, the Bank uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions.

In order to avoid excessive concentrations of risks, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are managed accordingly.

### 35.1 Credit risk

The Bank takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Bank's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The credit risk management and control are centralised in credit risk management team of Bank's Strategy and Risk Management Department and the Credit subdivision and are reported to the Board of Bank and the Executive board.

The carrying amounts of the Bank's financial assets best represent the maximum exposure to credit risk related to them, without taking account of any collateral held or other credit enhancements.

#### 35.1.1 Geographical sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorized by geographical region as of 31 December.

In thousand Armenian drams	Armenia	Other non-OECD countries	OECD countries	Total
Cash and cash equivalents	30,584,486	2,026,819	936,331	33,547,636
Amounts due from other financial institutions	2,604,781	663,766	-	3,268,547
Loans and advances to customers		99,004		99,004
Derivative financial assets	111,176,546	-	7,450,517	118,627,063
Investments available for sale	14,295,129	104,825	-	14,399,954
<b>As at 31 December 2016</b>	<b>158,660,942</b>	<b>2,894,414</b>	<b>8,386,848</b>	<b>169,942,204</b>
As at 31 December 2015	140,512,614	2,645,366	2,830,866	145,988,846

Assets have been classified based on the country in which the counterparty is located.



### Industry sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorized by the industry sectors of the counterparties as of 31 December.

In thousand Armenian drams	Financial institu- tions	Manufac- turing	Agricul- ture	Const- ruction	Trans- port	Trading	Services	Consumer sector	Mortgage	Other	Total
Cash and cash equivalents	33,547,636	-	-	-	-	-	-	-	-	-	33,547,636
Amounts due from other financial institutions	3,268,547	-	-	-	-	-	-	-	-	-	3,268,547
Derivative financial assets	99,004	-	-	-	-	-	-	-	-	-	99,004
Loans and advances to customers	-	9,392,922	678,384	5,162,814	3,411,431	23,225,437	8,329,690	46,671,389	12,069,140	9,685,856	118,627,063
Investments available for sale	14,399,954	-	-	-	-	-	-	-	-	-	14,399,954
<b>As at 31 December 2016</b>	<b>51,315,141</b>	<b>9,392,922</b>	<b>678,384</b>	<b>5,162,814</b>	<b>3,411,431</b>	<b>23,225,437</b>	<b>8,329,690</b>	<b>46,671,389</b>	<b>12,069,140</b>	<b>9,685,856</b>	<b>169,942,204</b>
As at 31 December 2015	35,807,298	9,237,151	663,061	4,457,434	3,731,279	22,654,209	7,820,458	40,245,005	13,810,060	7,562,891	145,988,846

### 35.1.2 Risk limit control and mitigation policies

The Bank manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to industries and countries.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and by country are approved quarterly by the Board of Bank.

The exposure to any one borrower including banks and financial organizations is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below.

#### Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Movable properties of individuals;
- Charges over business assets such as premises, inventory;
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

The analysis of loan portfolio by collateral is represented as follows:

In thousand Armenian drams	As of 31 December 2016	As of 31 December 2015
Loans collateralized by real estate	72,885,020	71,796,633
Loans collateralized by movable property	1,482,968	1,482,968
Loans collateralized by goods in circulation	277,432	277,432
Loans collateralized by guarantees	6,313,192	6,313,192
Loans collateralized by cash	3,514,323	3,514,323
Loans collateralized by household appliances	14,083,535	14,083,535
Unsecured loans	26,014,383	17,286,660
<b>Total loans and advances to customers (gross)</b>	<b>124,570,853</b>	<b>114,754,743</b>

The amounts presented in the table above are carrying values of the loans, and do not necessarily represent the fair value of the collaterals. Estimates of market values of collaterals are based on valuation of the collateral at the date when loans were provided. Generally they are not updated unless loans are assessed as individually impaired.

#### *Credit-related commitments*

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments.

However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

#### **35.1.3 Impairment and provisioning policies**

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Bank addresses impairment assessment into areas: individually assessed allowances and collectively assessed allowances.

#### *Individually assessed allowances*

The Bank determines the allowances appropriate for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realizable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

#### *Collectively assessed allowances*

Allowances are assessed collectively for losses on loans and advances that are not significant (including credit cards, residential mortgages and unsecured consumer lending) and for individually significant loans and advances where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is not yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration of the following information: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired.

Financial guarantees and letters of credit are assessed and provision made in a similar manner as for loans.

#### *Loans and advances neither past due or impaired*

The table below shows the credit quality by class of asset for loans and advances neither past due or impaired, based on the historical counterparty default rates.

In thousand Armenian drams	As of 31 December 2016	As of 31 December 2015
Loans and advances to customers		
Manufacture	1%	1%
Agriculture	1%	1%
Construction	1%	1%
Transportation	1%	1%
Trade	1%	1%
Service	1%	1%
Consumer	2.13%	1.5%
Mortgage	1%	1%

As of 31 December 2016 and 2015 the Bank has not had any losses on other financial assets bearing credit risk.

#### *Past due but not impaired loans*

Past due loans and advances include those that are only past due by a few days. The majority of the past due loans are not considered to be impaired. Analysis of past due loans by age and by class is provided below.

In thousand Armenian drams

	As of 31 December 2016				
	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
Loans and advances to customers					
Manufacture	529,141	17,314	149,489	3,548,039	4,243,983
Agriculture	6,491	-	118,658	217,435	342,584
Construction	-	131,428	-	648,750	780,178
Transportation	23,860	-	-	235,437	259,297
Trade	922,821	880,014	390,715	4,706,992	6,900,542
Service	44,982	12,798	40,711	1,165,841	1,264,332
Consumer	849,411	431,530	242,150	2,080,445	3,603,536
Mortgage	358,755	97,229	16,322	779,840	1,252,146
Other	5,294	-	-	2,723,537	2,728,831
<b>Total</b>	<b>2,740,755</b>	<b>1,570,313</b>	<b>958,045</b>	<b>16,106,316</b>	<b>21,375,429</b>

In thousand Armenian drams

	As of 31 December 2015				
	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
Loans and advances to customers					
Manufacture	65,076	4,071	-	633,708	702,855
Agriculture	4,497	-	-	52,808	57,305
Construction	5,661	-	-	60,322	65,983
Transportation	25,451	9,178	20,840		55,469
Trade	159,746	140,002	140,264	1,393,896	1,833,908
Service	58,628	6,906	21,791	264,183	351,508
Consumer	717,100	303,368	244,112	1,735,896	3,000,476
Mortgage	196,509	128,105	59,053	617,449	1,001,116
Other	3,532	-	-	14,368	17,900
<b>Total</b>	<b>1,236,200</b>	<b>591,630</b>	<b>486,060</b>	<b>4,772,630</b>	<b>7,086,520</b>

## 35.2 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. The Bank classifies exposures to market risk into either trading or non-trading portfolios. The market risk for the trading portfolio is managed and monitored based on a VaR methodology which reflects the interdependency between risk variables. Non-trading positions are managed and monitored using other sensitivity analyses. Except for the concentrations within foreign currency, the Bank has no significant concentration of market risk.

### 35.2.1 Market risk – Non-trading

#### *Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board of Bank has established limits on the interest rate gaps for stipulated periods. Positions are monitored on a daily basis.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Bank's income statement.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2016. The sensitivity of equity is calculated by revaluating fixed rate available-for-sale financial assets, at 31 December 2016 for the effects of the assumed changes in interest rates.

The sensitivity of equity is analysed by maturity of the asset. The total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve, while the analysis by maturity band displays the sensitivity to non-parallel changes.

In thousand Armenian drams			As of 31 December 2016				
Currency	Change in basis points	Sensitivity of net interest income	Sensitivity of equity				Total
			Up to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	
AMD	+1	-	-	-	179,801	162,253	342,054
USD	+1	(24,197)	-	-	-	-	(24,197)
AMD	(1)	-	-	-	(185,243)	(175,682)	(360,925)
USD	(1)	24,197	-	-	-	-	24,197

In thousand Armenian drams			As of 31 December 2015				
Currency	Change in basis points	Sensitivity of net interest income	Sensitivity of equity				Total
			Up to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	
AMD	+1	-	-	-	152,505	-	152,505
USD	+1	(37,239)	-	-	73,113	-	35,874
AMD	(1)	-	-	-	(146,126)	-	(146,126)
USD	(1)	37,239	-	-	(69,744)	-	(32,505)

#### Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board of Bank has set limits on positions by currency. Positions are monitored on a daily basis.

The tables below indicate the currencies to which the Bank had significant exposure at 31 December 2016 on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculated the effect of a reasonably possible movement of the currency rate against the Armenian dram, with all other variables held constant on the income statement (due to the fair value of currency sensitive non-trading monetary assets and liabilities).

A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase.

In thousand Armenian drams		As of 31 December 2016		As of 31 December 2015	
Currency	Change in currency rate in %	Effect on profit before tax	Change in currency rate in %	Effect on profit before tax	
USD	+5	(168,715)	+5	(164,207)	
EUR	+5	(4,394)	+5	(603)	
USD	(5)	168,715	(5)	164,207	
EUR	(5)	4,394	(5)	603	

The Bank's exposure to foreign currency exchange risk is as follow:

In thousand Armenian drams		Armenian Dram	Freely convertible currencies/ precious metals	Non-freely convertible currencies	Total
<b>ASSETS</b>					
Cash and cash equivalents		16,643,379	16,334,846	569,411	33,547,636
Amounts due from other financial institutions		2,512,358	756,189		3,268,547
Loans and advances to customers		55,253,407	60,950,279	2,423,377	118,627,063
Investments available for sale		12,029,919	2,370,035	-	14,399,954
		86,439,063	80,411,349	2,992,788	169,843,200
<b>LIABILITIES</b>					
Amounts due to financial institutions		2,348,609	2,691,932	2,147	5,042,688
Amounts due to customers		58,243,087	68,339,138	1,430,344	128,012,569
Borrowings		3,032,333	10,228,054		13,260,387
Debt securities issued		187,419	2,465,112	-	2,652,531
Other financial liabilities		243,300	120,280	6,596	370,176
		64,054,748	83,844,516	1,439,087	149,338,351
<b>Total effect of derivative financial instruments</b>		-	1,693,790	(1,594,786)	99,004
<b>Net position as at 31 December 2016</b>		22,384,315	(1,739,377)	(41,085)	20,603,853
<b>Commitments and contingent liabilities as at 31 December 2016</b>		4,411,339	1,581,734	-	5,993,073
<b>As of 31 December 2015</b>					
Total financial assets		68,012,770	77,181,253	794,823	145,988,846
Total financial liabilities		53,026,458	80,433,407	834,381	134,294,246
Net position as at 31 December 2015		14,986,312	(3,252,154)	(39,558)	11,694,600
Commitments and contingent liabilities as at 31 December 2015		3,899,778	1,181,083	-	5,080,861

Freely convertible currencies represent mainly US dollar amounts, but also include currencies from other OECD countries. Non-freely convertible amounts relate to currencies of CIS countries, excluding Republic of Armenia.

### 35.3 Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily bases. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Bank maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Bank also has committed lines of credit that it can access to meet liquidity needs. In addition, the Bank maintains an obligatory minimum reserve deposits with the Central Bank of Armenia equal to 2% of certain obligations of the Bank denominated in Armenian drams and 20% on certain obligations of the Bank denominated in foreign currency. Refer to Note 15. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank.

The liquidity management of the Bank requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans and monitoring balance sheet liquidity ratios against regulatory requirements. The Bank calculates liquidity ratios in accordance with the requirement of the Central Bank of Armenia.

The ratios as at 31 December 2016 are as follows:

As at 31 December, these ratios were as follows:	Not audited	
	2016, %	2015, %
N21- Total liquidity ratio (Highly liquid assets/ Total assets)	29.09	21.53
N22- Current liquidity ratio (Highly liquid assets /liabilities on demand)	372.09	272.06

The table below summarises the maturity profile of the Bank's financial liabilities at 31 December 2016 based on contractual undiscounted repayment obligations. Refer to Note 32 for the expected maturities of these liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

In thousand Armenian drams

As of 31 December 2016

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total
<b>FINANCIAL LIABILITIES</b>						
Amounts due to financial institutions	195,491	995,118	1,347,032	2,087,767	1,688,679	6,314,087
Amounts due to customers	13,353,809	50,783,993	60,735,862	5,749,698	4,940,451	135,563,813
Borrowings	387,147	347,194	11,339,475	4,229,017	-	16,302,833
Debt securities issued	18,292	57,598	167,673	2,883,451	-	3,127,014
Other financial liabilities	87,639	64,511	-	-	-	152,150
<b>Total undiscounted financial liabilities</b>	<b>14,042,378</b>	<b>52,248,414</b>	<b>73,590,042</b>	<b>14,949,933</b>	<b>6,629,130</b>	<b>161,459,897</b>
<b>Derivative financial assets</b>						
Foreign exchange swap contracts	1,693,790	-	-	-	-	1,693,790
Inflow	(1,594,786)	-	-	-	-	(1,594,786)
Outflow						
<b>Commitments and contingent liabilities</b>	<b>268,019</b>	<b>844,599</b>	<b>1,625,022</b>	<b>3,255,433</b>	<b>-</b>	<b>5,993,073</b>

In thousand Armenian drams

As of 31 December 2015

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total
<b>FINANCIAL LIABILITIES</b>						
Amounts due to financial institutions	371,538	13,187,599	5,661,357	3,689,998	1,518,303	24,428,795
Amounts due to customers	12,203,220	47,887,058	47,685,844	541,182	273,677	108,590,981
Borrowings	75,420	197,563	679,121	3,763,981	5,776,589	10,492,674
Other financial liabilities	87,639	268,880	-	-	-	356,519
<b>Total undiscounted financial liabilities</b>	<b>12,737,817</b>	<b>61,541,100</b>	<b>54,026,322</b>	<b>7,995,161</b>	<b>7,568,569</b>	<b>143,868,969</b>
<b>Commitments and contingent liabilities</b>	<b>400,342</b>	<b>451,204</b>	<b>1,885,538</b>	<b>2,343,777</b>	<b>-</b>	<b>5,080,861</b>

The Bank has a significant cumulative maturity mismatch of the assets and liabilities up to one year. Refer to note 34. This liquidity mismatch arises due to the fact that the major source of finance for the Bank as at 31 December 2016 was customer deposits maturing in up to one year. Management believes that in spite of a substantial portion of customer accounts with maturity up to one year, the past experience of the Bank indicates that these deposits provide a long-term and stable source of finance for the Bank.

### 36 Capital adequacy

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios") and adopted by the Central Bank of Armenia in supervising the Bank.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.



The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policy and processes from the previous years.

The minimum ratio between total capital and risk weighted assets required by the Central Bank of Armenia is 12%.

Regulatory capital consists of Tier 1 capital, which comprises share capital, retained earnings including current year profit, and general reserve. Regulatory capital is calculated in accordance with the requirements of the Central Bank of Armenia and accounting standards of the Republic of Armenia. The other component of regulatory capital is Tier 2 capital, which includes revaluation reserves and subordinated debt.

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of and reflecting an estimate of credit, market and operating risks.

As of 31 December 2016 and 2015 the amount of regulatory capital, risk weighted assets and capital adequacy ratio calculated in accordance with the requirements of Central Bank of Armenia are provided below.

In thousand Armenian drams	Not audited	
	2016	2015
Tier 1 capital	26,770,726	14,507,633
Tier 2 capital	257,739	3,490,367
<b>Total regulatory capital</b>	<b>27,028,465</b>	<b>17,998,000</b>
Risk-weighted assets	155,514,758	148,375,927
<b>Capital adequacy ratio</b>	<b>17.38%</b>	<b>12.13%</b>

The Bank has complied with all externally imposed capital requirements through the period.

With the aim to enhance the efficiency of the banking system activity, strengthening the ability to resist the shocks in different economic situations, as well as providing more efficient and available banking services, in 2015 the Board of RA Central Bank decided to establish the minimum size of total capital at 30,000,000 thousand Armenian drams for the banks, as of 1 January 2017 and after that period.

Taking into consideration the negative trend of the Bank's loan portfolio impairment, the ensuring of the marginal size of the Bank's annual profit may be endangered, consequently also the ensuring of the minimum size of the Bank's total capital, which is on the marginal level.

### 37 Segment reporting

The Bank's operations are quite integrated and form one business segment in accordance with the requirements of IFRS 8 "Operational segments".

Most of the revenues from external clients relate to the RA residents. The Bank does not have a single client from which receives 10% or more of its revenue.

The Bank's non-current assets are mainly in the RA.

# **Financial Statements and Independent Auditor's Report**

## **“Unibank” open joint stock company**

31 December 2017



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# Independent auditor's report

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To the shareholders of "UNIBANK" OPEN JOINT STOCK COMPANY

## *Opinion*

We have audited the financial statements of "UNIBANK" OPEN JOINT STOCK COMPANY (the "Bank"), which comprise the statement of financial position as of 31 December 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as of 31 December 2017 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

## *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Armenia, and we have fulfilled our other ethical responsibilities in accordance with those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## *Emphasis of matter*

We draw your attention to the Note 39, which presents the political situation in Armenia and the uncertainties associated with it since 13 April 2018. According to the Bank's management assessments, these processes have no significant influence on the Bank's activity, and hence, there is no need to adjust the Bank's financial statements for the year ended 31 December 2017. Our opinion does not change with regard to this circumstance.

## *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

- Loan impairment allowance

Loan impairment allowance is a key audit matter due to the significance of the loans to customers as well as

subjectivity of underlying assumptions for impairment estimation. The use of various assumptions and judgments may lead to significantly different estimation of loan impairment allowance, which could have material effect on the financial results of the Bank. The judgments and assumptions may relate to the estimation of objective evidence of impairment, financial condition of the borrower, expected cash flows, cost of the collateral and realization period as well as losses incurred but not yet disclosed.

For estimating the impairment losses on individually significant loans we have investigated the judgments and assumptions underlying the disclosure and amounts of impairment, the market values of collaterals, as well as the forecasts of future cash flows etc.

We have reviewed the structure and effectiveness of the existing control mechanisms, the calculation of write-offs and the number of overdue days of loans, models and assumptions underlying the calculation of the collective impairment for the purpose of estimating the accuracy of allowances created as a result of the collective impairment.

We have also performed audit procedures aimed at estimating the disclosures of the credit risk in the financial statements, the disclosures of the assumptions and judgments related to the impairment allowance.

### *Other information*

Management is responsible for the other information. The other information comprises the information included in the annual report of the Bank for the year ended 31 December 2017, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Emil Vassilyan.

Gagik Gyulbudaghyan  
Managing Partner

Emil Vassilyan  
Engagement Partner

27 April 2018



# Statement of profit or loss and other comprehensive income

In thousand Armenian drams

	Notes	Year ended 31 December 2017	Year ended 31 December 2016
Interest and similar income	6	22,296,742	21,329,971
Interest and similar expense	6	(11,805,386)	(12,968,927)
Net interest income		10,491,356	8,361,044
Fee and commission income	7	897,588	1,036,568
Fee and commission expense	7	(298,538)	(289,585)
Net fee and commission income		599,050	746,983
Net trading income	8	631,274	270,717
Other income	9	1,732,594	1,452,759
Impairment charge	10	(5,974,493)	(4,436,968)
Staff costs	11	(3,480,771)	(3,128,249)
Depreciation of property and equipment	20	(511,350)	(450,013)
Amortization of intangible assets	21	(88,762)	(84,359)
Other expenses	12	(3,148,856)	(3,150,583)
Profit before income tax		250,042	(418,669)
Income tax expense	13	(182,440)	(24,549)
Profit/(loss) for the year		67,602	(443,218)
Other comprehensive income:			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Revaluation of PPE		255,764	1,096,106
Income tax relating to items not reclassified		(51,153)	(219,221)
Net gains from items that will not be reclassified subsequently to profit or loss		204,611	876,885
<i>Items that will be reclassified subsequently to profit or loss</i>			
Net unrealized gain from changes in fair value from available-for-sale financial assets		507,685	664,809
Income tax relating to items that will be reclassified		(101,537)	(132,962)
Net gains from items that will be reclassified subsequently to profit or loss		406,148	531,847
Total other comprehensive income for the year, net of tax		610,759	1,408,732
Total comprehensive income for the year		678,361	965,514
Loss per share	14	(0.00045)	(0.00348)

The accompanying notes on pages 12 to 63 are an integral part of these financial statements.

# Statement of financial position

In thousand Armenian drams

	Notes	As of 31 December 2017	As of 31 December 2016
<b>Assets</b>			
Cash and cash equivalents	15	31,843,954	33,547,636
Amounts due from other financial institutions	16	995,550	3,268,547
Derivative financial assets	17	3,086	99,004
Loans and advances to customers	18	135,127,892	118,627,063
Investments available for sale	19	13,592,031	14,399,954
Securities pledged under repurchase agreements	28	7,877,164	-
Property, plant and equipment	20	8,193,410	7,651,713
Intangible assets	21	1,420,274	1,380,101
Prepaid income taxes		113,435	81,010
Other assets	22	3,554,675	6,341,061
<b>Total assets</b>		<b>202,721,471</b>	<b>185,396,089</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Amounts due to financial institutions	23	17,250,526	5,042,688
Amounts due to customers	24	128,427,923	128,012,569
Derivative financial liabilities	17	9,993	-
Borrowings	25	14,744,564	13,260,387
Debt securities issued	26	5,139,360	2,652,531
Deferred income tax liabilities	13	1,131,722	957,978
Other liabilities	27	656,030	626,893
<b>Total liabilities</b>		<b>167,360,118</b>	<b>150,553,046</b>
<b>Equity</b>			
Share capital	29	20,489,653	19,093,378
Share premium		9,605,638	7,790,481
Statutory general reserve		426,482	426,482
Other reserves		1,493,358	916,048
Retained earnings		3,346,222	6,616,654
<b>Total equity</b>		<b>35,361,353</b>	<b>34,843,043</b>
<b>Total liabilities and equity</b>		<b>202,721,471</b>	<b>185,396,089</b>

The financial statements from pages 6 to 63 were signed by the Bank's Chairman of the Executive Board and Chief Accountant on 27 April 2018 and.

Hakobyan Mesrop  
Chairman of the Executive Board

Gohar Grigoryan  
Chief Accountant

The accompanying notes on pages 12 to 63 are an integral part of these financial statements.





# Statement of changes in equity

In thousand Armenian  
drams

	Share capital	Share premium	Statutory general reserve	Revaluation reserve of securities available for sale	Revaluation reserve of PPE	Retained earnings	Total
Balance as of 1 January 2016	14,167,947	1,387,422	421,851	(913,720)	421,036	7,224,556	22,709,092
Increase in share capital	4,925,431	6,403,059	-	-	-	-	11,328,490
Distribution to reserve	-	-	4,631	-	-	(4,631)	-
Dividends to shareholders	-	-	-	-	-	(160,053)	(160,053)
Transactions with owners	4,925,431	6,403,059	4,631	-	-	(164,684)	11,168,437
Loss for the year	-	-	-	-	-	(443,218)	(443,218)
Other comprehensive income:							
Revaluation of PPE	-	-	-	-	1,096,106	-	1,096,106
Net unrealized gain from changes in fair value	-	-	-	664,809	-	-	664,809
Income tax relating to components of other comprehensive income	-	-	-	(132,962)	(219,221)	-	(352,183)
Total comprehensive income for the year	-	-	-	531,847	876,885	(443,218)	965,514
Balance as of 31 December 2016	19,093,378	7,790,481	426,482	(381,873)	1,297,921	6,616,654	34,843,043
Increase in share capital	1,396,275	1,815,157	-	-	-	(3,211,432)	-
Distribution to reserve	-	-	-	-	-	-	-
Dividends to shareholders	-	-	-	-	-	(160,051)	(160,051)
Transactions with owners	1,396,275	1,815,157	-	-	-	(3,371,483)	(160,051)

# Statement of changes in equity (continued)

In thousand Armenian  
drams

	Share capital	Share premium	Statutory general reserve	Revaluation reserve of securities available for sale	Revaluation reserve of PPE	Retained earnings	Total
Profit for the year	-	-	-	-	-	67,602	67,602
Other comprehensive income:							
Revaluation of PPE	-	-	-	-	255,764	-	255,764
Adjustment to reserve from the sale of PPE	-	-	-	-	(33,449)	33,449	-
Net unrealized gains from changes in fair value	-	-	-	507,685	-	-	507,685
Income tax relating to components of other comprehensive income	-	-	-	(101,537)	(51,153)	-	(152,690)
Total comprehensive income for the year	-	-	-	406,148	171,162	101,051	678,361
Balance as of 31 December 2017	<u>20,489,653</u>	<u>9,605,638</u>	<u>426,482</u>	<u>24,275</u>	<u>1,469,083</u>	<u>3,346,222</u>	<u>35,361,353</u>

The accompanying notes on pages 12 to 63 are an integral part of these financial statements.

# Statement of cash flows

In thousand Armenian drams

	Year ended 31 December 2017	Year ended 31 December 2016
<i>Cash flows from operating activities</i>		
Profit/(loss) before tax	250,042	(418,669)
<i>Adjustments for</i>		
Impairment charge	5,974,493	4,436,968
Gains from reversal of impairment and sale of repossessed	(58,295)	(44,451)
Impairment of PPE	7	89,434
Amortization and depreciation allowances	600,112	534,372
Loss from sale of PPE	2,938	16,731
Interest receivable	726,148	(1,034,266)
Interest payable	(369,819)	(303,381)
Revaluation of derivative financial instruments	(29,751)	256,470
Foreign currency translation net (gain)/loss of non-trading assets and liabilities	428,837	(181,453)
Cash flows from operating activities before changes in operating assets and liabilities	7,524,712	3,351,755
<i>(Increase)/decrease in operating assets</i>		
Amounts due from financial institutions	2,294,537	(2,080,268)
Derivative financial instruments	112,087	(355,474)
Loans and advances to customers	(24,857,814)	(15,285,569)
Other assets	4,681,142	2,804,772
<i>Increase/(decrease) in operating liabilities</i>		
Amounts due to financial institutions	1,720,527	(756)
Amounts due to customers	(293,153)	24,521,896
Other liabilities	17,143	(54,014)
Net cash flow used in operating activities before income tax	(8,800,819)	12,902,342
Income tax	(32,425)	53,276
Net cash from/(used in) operating activities	(8,833,244)	12,955,618

# Statement of cash flows (continued)

In thousand Armenian drams

	Year ended 31 December 2017	Year ended 31 December 2016
<i>Cash flows from investing activities</i>		
Purchase of investment securities	(6,752,977)	(5,125,305)
Purchase of property and equipment	(968,266)	(2,031,483)
Proceeds from sale of property and equipment	168,038	85,040
Purchase of intangible assets	(128,935)	(150,412)
Net cash used in investing activities	(7,682,140)	(7,222,160)
<i>Cash flow from financing activities</i>		
Proceeds from issue of share capital	-	11,328,490
Dividends paid	(160,051)	(246,850)
Loans received/(repaid) to financial institutions	10,432,480	(17,332,058)
Issue of bonds	2,465,424	2,637,137
Other long-term loans and advances received	1,366,159	5,543,439
Net cash from financing activities	14,104,012	1,930,158
<i>Net increase/(decrease) in cash and cash equivalents</i>	(2,411,372)	7,663,616
Cash and cash equivalents at the beginning of the year	33,547,636	26,012,823
Exchange differences on cash and cash equivalents	707,690	(128,803)
Cash and cash equivalents at the end of the year (Note 15)	31,843,954	33,547,636
<i>Supplementary information:</i>		
Interest received	23,022,890	20,305,950
Interest paid	(12,175,205)	(13,272,308)

The accompanying notes on pages 12 to 63 are an integral part of these financial statements.

# Notes to the financial statements

## 1 Principal activities

"Unibank" CJSC (the "Bank") is a closed joint-stock bank, which was incorporated in the Republic of Armenia on 9 October 2001. The Bank is regulated by the legislation of RA and conducts its business under license number N81, granted on 10 October 2001, by the Central Bank of Armenia (the "CBA").

On 23 June 2015 according to the Bank's license registered under number 0373, "UNIBANK" CJSC was reorganized to "UNIBANK" OJSC issuing 14,500,000 shares.

The Bank is a member of Individuals deposit compensation guarantee state system of RA, as well as member of Union of Banks of Armenia, ArCa, MasterCard, Visa International payment systems.

The Bank accepts deposits from the public and extends credit, transfers payments in Armenia and abroad, exchanges currencies and provides other banking services to its commercial and retail customers.

Its main office is in Yerevan and it has 45 branches in Yerevan and one representative office in Moscow, the Russian Federation. The registered office of the Bank is located at: 12/53 Charents street, #1-5, Yerevan.

On August 24, 2016 the international rating agency Moody's Investors Service approved the Bank's deposit attraction B3/NP rating, caa1 base credit rating, B2(cr)/NP(cr) counterparty risk rating. Forecasts on all ratings changed to positive from stable.

On March 10, 2017, the international rating agency Moody's Investors Service has revised and raised the rating of "Unibank" by setting B2 for long-term deposits in AMD and foreign currency. Baseline credit assessment (BCA) / is defined b3, and long-term Counterparty Risk Assessment (CR Assessment/ B2(cr) level. Forecasting is stable.

## 2 Armenian business environment

Armenia continues to undergo political and economic changes. The stability and development of the Armenian economy largely depends on these changes, as well as developments in the Eurasian Economic Union with which the integration of the Armenian economy continues.

Management of the Bank believes that in the current conditions appropriate measures are implemented in order to ensure economic stability of the Bank.

## 3 Basis of preparation

### 3.1 Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards ("IFRS") as developed and published by the International Accounting Standards Board (IASB), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The Bank prepares statements for regulatory purposes in accordance with legislative requirements of the Republic of Armenia. These financial statements are based on the Bank's books and records as adjusted and reclassified in order to comply with IFRS.

### 3.2 Basis of measurement

The financial statements have been prepared on a fair value basis for financial assets and liabilities at fair value through profit or loss and available for sale assets, except those for which a reliable measure of fair value is not available. Other financial assets and liabilities are stated at amortized cost and non-financial assets and liabilities are stated at revalued amount.

### 3.3 Functional and presentation currency

Functional currency of the Bank is the currency of the primary economic environment in which the Bank operates. The Bank's functional currency and the Bank's presentation currency is Armenian Dram ("AMD"), since this currency best reflects the economic substance of the underlying events and transactions of the Bank. The financial statements are presented in thousands of AMD, unless otherwise stated, which is not convertible outside Armenia.

### 3.4 Changes in accounting policies

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Although the new standards and amendments described below and applied for the first time in 2017, did not have a material impact on the annual consolidated financial statements of the Bank.

- *Disclosure Initiative (Amendments to IAS 7)*
- *Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)*
- *Annual Improvements to IFRSs 2014-2016 Cycle – various standards (Amendments to IFRS 12).*

### 3.5 Standards and interpretations not yet applied by the Bank

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to the existing Standards have been published but are not yet effective. The Bank has not early adopted any of these pronouncements.

Management anticipates that all of the pronouncements will be adopted in the Bank's accounting policy for the first period beginning after the effective date of the pronouncement.

#### **IFRS 9 Financial Instruments (2014)**

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. It replaces IAS 39 Financial Instruments: Recognition and Measurement.

In October 2017, the IASB issued *Prepayment Features with Negative Compensation* (Amendments to IFRS 9). The amendments are effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Bank will apply IFRS 9 as issued in July 2014 initially on 1 January 2018 and will early adopt the amendments to IFRS 9 on the same date.

The adoption of the new standard may have a material impact on the opening balance of the Bank's equity as of 1 January 2018.

The above assessment is preliminary because not all transition work has been finalised. Especially, The Bank has not yet completed to revise its accounting processes and internal controls changes in accordance with IFRS 9, the refining and finalising its models for ECL calculations and the new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Bank finalises its first financial statements that include the date of initial application.

#### **Classification – Financial assets and Financial liabilities**

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

A financial asset is classified into one of these categories on initial recognition. It eliminates the existing IAS 39

categories of held to maturity, loans and receivables, available for sale and financial assets at fair value through profit or loss.

IFRS 9 will affect the classification and measurement of financial assets held as at 1 January 2018 as follows.

- Loans and advances to banks and to customers that are classified as loans and receivables and measured at amortised cost under IAS 39 will in general also be measured at amortised cost under IFRS 9.
- Debt investment securities that are classified as available-for-sale under IAS 39 may, under IFRS 9, be measured at amortised cost, FVOCI or FVTPL, depending on the particular circumstances.

The classification and measurement assessment as at 31 December 2016 may not necessarily represent the impact on the Bank's financial statements as at 1 January 2018 because IFRS 9 requires the business model assessment to be undertaken based on the facts and circumstances that exist at the date of initial application, which will be 1 January 2018 for the Bank.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

However, under IAS 39 all fair value changes of financial liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes will generally be presented as follows:

- the amount of the change in the fair value that is attributable to changes in the credit risk of the liability will be presented in OCI; and
- the remaining amount of the change in the fair value will be presented in profit or loss

#### *Impairment – Financial assets, loan commitments and financial guarantee contracts*

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' model. This will require considerable judgement over how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The Bank will recognize loss allowances for Expected Credit Losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets measured at amortised cost
- financial assets measured at fair value through other comprehensive income
- lease receivables
- contract assets
- loan commitments to provide a loan at a below-market interest rate
- financial guarantee contracts

Under IFRS 9, no impairment loss is recognised on equity investments.

The impairment requirements of IFRS 9 are complex and require management judgements, estimates and assumptions, particularly in the following areas,

- assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- incorporating forward-looking information into the measurement of ECLs;
- Definition of default.

The key inputs into the measurement of ECLs are likely to be the term structures of the following variables:

- Probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These parameters will be derived from internally developed statistical models and other historical data that leverage regulatory models. They will be adjusted to reflect forward-looking information as described below.

The most significant impact on the Bank's financial statements from the implementation of IFRS 9 is expected to result from the new impairment requirements. Impairment losses will increase and become more volatile for financial instruments in the scope of the IFRS 9 impairment model. Loss allowances on unsecured products with longer expected lives such as overdrafts and credit cards will be most affected by the new impairment requirements.

## Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Bank will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes.

Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at 1 January 2018.

- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

If a debt investment security has low credit risk at 1 January 2018, then the Bank will determine that the credit risk on the asset has not increased significantly since initial recognition.

## IFRS 15 Revenue from Contracts with Customers

IFRS 15 presents new requirements for the recognition of revenue, replacing *IAS 18 Revenue*, *IAS 11 Construction Contracts*, and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for reporting periods beginning on or after 1 January 2018. The Bank's management have not yet assessed the impact of IFRS 15 on these financial statements.

## IFRS 16 Leases

IFRS 16 presents new requirements and amendments to the accounting of leases. IFRS 16 will require lessees to account for leases 'on-balance sheet' by recognizing a 'right-of-use' asset and a lease liability.

IFRS 16 also:

- changes the definition of a lease;
- sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods;
- provides exemptions for short-term leases and leases of low value assets;
- changes the accounting for sale and leaseback arrangements;
- largely retains IAS 17's approach to lessor accounting;
- introduces new disclosure requirements.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided IFRS 15 Revenue from Contracts with Customers is also applied. The [Group/Banks]'s management have not yet assessed the impact of IFRS 16 on these financial statements.

## Other standards

The following amended standards and interpretations are not expected to have significant impact on the Bank's financial statements.

- Annual Improvements to IFRSs 2014-2016 Cycle – Amendments to IFRS 1 and IAS 28 (effective from 1 January 2018).
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective from 1 January 2018).
- IFRIC 23 Uncertainty over Income Tax Treatments (effective from 1 January 2019).



## 4 Summary of significant accounting policies

The following significant accounting policies have been applied in the preparation of the financial statements. The accounting policies have been consistently applied.

### 4.1 Recognition of income and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Expense is recognized to the extent that it is probable that the economic benefits will flow from the Bank and the expense can be reliably measured. The following specific criteria must also be met before revenue is recognized:

#### *Interest income and expense*

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognised within "interest income" and "interest expense" in the income statement using the effective interest method.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

#### *Fee and commission income and expenses*

Loan origination fees for loans issued to customers are deferred (together with related direct costs) and recognised as an adjustment to the effective yield of the loans. Fees, commissions and other income and expense items are generally recorded on an accrual basis when the service has been provided. Portfolio and other management advisory and service fees are recorded based on the applicable service contracts. Asset management fees related to investment funds are recorded over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

#### *Dividend income*

Revenue is recognized when the Bank's right to receive the payment is established.

#### *Net trading income*

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realized and unrealized fair value changes, interest, dividends and foreign exchange differences related to trading assets and liabilities. Net trading income also includes gains less losses from trading in foreign currencies and is recognized in profit or loss when the corresponding service is provided.

### 4.2 Foreign currencies

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transactions. Gains and losses resulting from the translation of trading assets are recognised in the statement of profit or loss and other comprehensive income in net trading income, while gains less losses resulting from translation of non-trading assets are recognized in the statement of income in other income or other expense. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in the own equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as

part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

Differences between the contractual exchange rate of a certain transaction and the prevailing average exchange rate on the date of the transaction are included in gains less losses from trading in foreign currencies in net trading income.

The exchange rates at year-end used by the Bank in the preparation of the financial statements are as follows:

	31 December 2017	31 December 2016
AMD/1 US Dollar	484.10	483.94
AMD/1 EUR	580.10	512.20
AMD/1 RUB	8.40	7.88

### 4.3 Taxation

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognized in the statement of profit or loss and other comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. In the case when financial statements are authorized for issue before appropriate tax returns are submitted, taxable profits or losses are based on estimates. Tax authorities might have more stringent position in interpreting tax legislation and in reviewing tax calculations. As a result tax authorities might claim additional taxes for those transactions, for which they did not claim previously. As a result significant additional taxes, fines and penalties could arise. Tax review can include 3 calendar years immediately preceding the year of a review. In certain circumstances tax review can include even more periods.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The Republic of Armenia also has various operating taxes, which are assessed on the Bank's activities. These taxes are included as a component of other expenses in the statement of profit or loss and other comprehensive income.

### 4.4 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, balances on correspondent accounts with the Central Bank of Armenia (excluding those funds deposited for the settlement of ArCa payment cards), and amounts due from other banks.

Cash and cash equivalents are carried at amortised cost.

### 4.5 Precious metals

Gold and other precious metals are recorded at CBA prices which approximate fair values and are quoted according to London Bullion Market rates.

Changes in the bid prices are recorded in net gain/loss on operations with precious metals in other income/expense.

## 4.6 Amounts due from other financial institutions

In the normal course of business, the Bank maintains advances or deposits for various periods of time with other banks. Loans and advances to banks with a fixed maturity term are subsequently measured at amortized cost using the effective interest method. Those that do not have fixed maturities are carried at amortized cost based on maturities estimated by management. Amounts due from other financial institutions are carried net of any allowance for impairment losses.

## 4.7 Financial instruments

The Bank recognizes financial assets and liabilities on its balance sheet when it becomes a party to the contractual obligation of the instrument. Regular way purchases and sales of financial assets and liabilities are recognised using settlement date accounting. Regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date are accounted for in the same way as for acquired instruments.

When financial assets and liabilities are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition all financial liabilities, other than liabilities at fair value through profit or loss (including held for trading) are measured at amortized cost using effective interest method. After initial recognition financial liabilities at fair value through profit or loss are measured at fair value.

The Bank classified its financial assets into the following categories:

- financial instruments at fair value through profit or loss,
- loans and receivables,
- available-for-sale financial instruments.

The classification of investments between the categories is determined at acquisition based on the guidelines established by the management. The Bank determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

### *Financial assets at fair value through profit or loss*

This category has two subcategories: financial assets held for trading and those designated at fair value through profit or loss. A financial asset is classified in this category if acquired for the purpose of selling in the short-term or if so designated by management from the initial acquisition of that asset.

In the normal course of business, the Bank enters into various derivative financial instruments including futures, forwards, swaps and options in the foreign exchange and capital markets. Such financial instruments are held for trading and are initially recognised in accordance with the policy for initial recognition of financial instruments and are subsequently measured at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the statement of income as gains less losses from trading securities or gains less losses from foreign currencies dealing, depending on the nature of the instrument.

Derivative instruments embedded in other financial instruments are treated as separate derivatives if their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value with unrealised gains and losses reported in income. An embedded derivative is a component of a hybrid (combined) financial instrument that includes both the derivative and a host contract with the effect that some of the cash flows of the combined instrument vary in a similar way to a stand-alone derivative.

Financial assets and financial liabilities are designated at fair value through profit or loss when:

- Doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost for such as loans and advances to customers or banks and debt securities in issue;
- Certain investments, such as equity investments, that are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis are designated at fair value through profit and loss; and
- Financial instruments, such as debt securities held, containing one or more embedded derivatives significantly modify the cash flows, are designated at fair value through profit and loss.

Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in the statement of profit or loss and other comprehensive income.

### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments, which arise when the Bank provides money directly to a debtor with no intention of trading the receivable.

Loans granted by the Bank with fixed maturities are initially recognized at fair value plus related transaction costs. Where the fair value of consideration given does not equal the fair value of the loan, for example where the loan is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is recognized as a loss on initial recognition of the loan and included in the statement of profit or loss and other comprehensive income as losses on origination of assets. Subsequently, the loan carrying value is measured using the effective interest method. Loans to customers that do not have fixed maturities are accounted for under the effective interest method based on expected maturity. Loans to customers are carried net of any allowance for impairment losses.

### *Available-for-sale financial assets*

Assets available for sale represent debt and equity investments that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognised as a separate component of other comprehensive income until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the statement of profit or loss and other comprehensive income. However, interest calculated using the effective interest method is recognised in the statement of profit or loss and other comprehensive income. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Bank's right to receive payment is established.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same and discounted cash flow analysis. Otherwise the investments are stated at cost less any allowance for impairment.

## **4.8 Impairment of financial assets**

The Bank assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

### *Assets carried at amortized cost*

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ("loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Criteria used to determine that there is objective evidence of an impairment loss may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty (for example, equity ratio, net income percentage of sales), default or delinquency in interest or principal payments, breach of loan covenants or conditions, deterioration in the value of collateral, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through use of an allowance account. The amount of the loss shall be recognised in the statement of profit or loss and other comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If future write-off is later recovered, the recovery is credited to the allowance account.

Impairment allowances of financial assets have been identified in the financial statements on the basis of existing economic conditions. Bank is not able to predict how conditions may change in Armenia, and what impact these changes may have on the adequacy of the impairment allowance of financial assets in future periods.

### *Renegotiated loans*

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated

loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

### *Available-for-sale financial assets*

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of comprehensive income, is transferred from other comprehensive income to the statement of income.

Reversals of impairment in respect of equity instruments classified as available-for-sale are not recognised in the statement of income but accounted for in other comprehensive income in a separate component of equity. Reversals of impairment losses on debt instruments are reversed through the statement of profit or loss and other comprehensive income if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

## 4.9 Derecognition of financial assets and liabilities

### *Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Bank has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Bank either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Bank has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Bank's continuing involvement is the amount of the transferred asset that the Bank may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Bank's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

### *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

## 4.10 Repurchase and reverse repurchase agreements

Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the statement of financial position and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements and faced as the separate balance sheet item. The corresponding liability is presented within amounts due to financial institutions or customers.

Securities purchased under agreements to resell (“reverse repo”) are recorded as amounts due from other financial institutions or loans and advances to customers as appropriate and are not recognized in the statement of financial position. The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective yield method.

The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective yield method.

If assets purchased under an agreement to resell are sold to third parties, the obligation to return the securities is recorded as a trading liability and measured at fair value.

## 4.11 Securities lending and borrowing

Securities lending and borrowing transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognized on the statement of financial position, unless they are sold to third parties, in which case the obligation to return the securities is recorded as a trading liability and measured at fair value with any gains or losses included in “Net trading income”

## 4.12 Leases

### *Operating - Bank as lessee*

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term and included in other operating expenses.

## 4.13 Property, plant and equipment

Property, plant and equipment (“PPE”) are recorded at historical cost less accumulated depreciation. If the recoverable value of PPE is lower than its carrying amount, due to circumstances not considered to be temporary, the respective asset is written down to its recoverable value. Land is carried at historical cost. It has unlimited useful life and thus is not depreciated.

Depreciation is calculated using the straight-line method based on the estimated useful life of the asset. The following depreciation rates have been applied:

	Useful life (years)	Rate (%)
Buildings	60	1.67
Computers	5	20
Communication	5	20
Vehicles	7	14.3
ATM	10	10
Other fixed assets	5	20

Leasehold improvements are capitalized and depreciated over the shorter of the lease term and their useful lives on a straight-line basis. Assets under the course of construction are accounted based on actual expenditures less any impairment losses.

Repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is incurred and when it satisfies the criteria for asset recognition. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.



Any revaluation surplus is credited to the revaluation reserve for property and equipment included in the revaluation reserve for property and equipment in equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of income, in which case the increase is recognised in the statement of income. A revaluation deficit is recognised in the statement of income, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the revaluation reserve for property and equipment.

When revalued assets are sold, the amounts attributed to disposed item of assets and included in the revaluation reserve are transferred to retained earnings.

## 4.14 Intangible assets

Intangible assets include computer software, licences and other.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the useful economic lives. The estimated useful life of computer software and licences is 10 years. Amortisation periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end.

Computer software development costs are recognised as an expense as incurred.

## 4.15 Repossessed assets

In certain circumstances, assets are repossessed following the foreclosure on loans that are in default. Repossessed assets are measured at the lower of cost and fair value less costs to sell.

## 4.16 Borrowings

Borrowings, which include amounts due to the Central Bank and Government, amounts due to financial institutions, amounts due to customers, debt securities issued and subordinated debt are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the amortisation process.

## 4.17 Financial guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognized in the financial statements at fair value, in "Other liabilities", being the premium received. Following initial recognition, the Bank's liability under each guarantee is measured at the higher of the amortised premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

## 4.18 Equity

### *Share capital*

Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

### *Share premium*

Share premium includes any premium received from the issue of shares. Any expense in respect of transaction which is related to the issue of shares is reduced from the share premium.



### *Retained earnings*

Include retained earnings of current and previous periods.

### *Dividends*

Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the financial statements are authorised for issue.

### *Property revaluation reserve*

The property revaluation reserve is used to record increases in the fair value of buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity

### *Revaluation reserve for available-for-sale securities*

This reserve records fair value changes in available-for-sale-investments.

## 4.19 Offsetting

Financial assets and liabilities, and income and expenses, are offset and the net amount reported in the financial statements sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

## 4.20 Segment reporting

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Bank's other components. In identifying its operating segments, management generally distinguishes components of the Bank that is engaged in providing products or services (business segment) and for which discrete financial information is available. All operating segments' operating results are reviewed regularly by the Bank's CEO to make decisions about resources to be allocated to the segment and assess its performance. Geographical segments of the Bank have been reported separately within these financial statements based on the ultimate domicile of the counterparty, e.g. based on economic risk rather than legal risk of the counterparty.

## 5 Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

The most significant areas of judgements and estimates with regards to these financial statements are presented below:

### *Measurement of fair values*

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (refer to note 32).

### *Classification of investment securities*

Securities owned by the Bank comprise Armenian state and corporate bonds, securities issued by the Central Bank of Armenia and corporate shares. Upon initial recognition, the Bank designates securities as available-for-sale financial assets recognition of changes in fair value through equity.

### *Useful life of PPE*

Useful life evaluation of PPE is the result of judgement, based on the experience with similar assets. Future economic benefits are embodied in assets and mainly consumed along with usage. However, such factors as operational, technical or commercial depreciation often lead to decrease of asset's economic benefit. Management evaluates the remaining useful life according to the asset's current technical condition and estimated period, during which the Bank expects to receive benefits. For the evaluation of remaining useful life are considered the following main factors: expectable usage of assets, depending on the operational factors and maintenance program, that is depreciation and technical and commercial depreciation arising from the changes in the market conditions.

### *Derivatives*

The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques. Valuation of financial derivatives is applied to single currency interest rate swap transactions, cross currency interest swap transactions and foreign exchange forward contracts. The fair value of these transactions is determined as the difference between the present value of fixed receivable and the present value of floating obligation or vice versa. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require Management to make estimates. Changes in assumptions about these factors could affect reported fair values. Any over or under estimation of these future cash flows could require a material adjustment to the carrying value of these derivatives.

### *Related party transactions*

In the normal course of business the Bank enters into transactions with its related parties. These transactions are priced predominantly at market rates. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis (refer to Note 31).

### *Impairment of loans and receivables*

The Bank reviews its problem loans and advances at each reporting date to assess whether there are objective criteria of depreciation. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowances against individually significant loans and advances, the Bank also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This take into consideration factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

### *Tax legislation*

Armenian tax legislation is subject to varying interpretations. Refer to Note 30.

The Management of the Bank has not reviewed its previous estimations, i.e. has not derecognized previously estimated deferred tax liability related to the fixed assets and continues its tax accounting as before.

### *Impairment of available-for-sale equity investments*

The Bank determined that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged

required judgement. In making this judgement, the Bank evaluates among other factors, the volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational or financing cash flows.

## 6 Interest and similar income and expense

In thousand Armenian drams	2017	2016
Loans and advances to customers	19,787,690	19,596,435
Debt investment securities available-for-sale	2,067,391	1,331,614
Amounts due to financial institutions	33,641	91,578
Reverse repurchase transactions	125,646	86,416
Interest accrued on individually impaired financial assets	266,106	187,066
Derivative financial instruments	16,268	36,862
Total interest and similar income	22,296,742	21,329,971
Amounts due to customers	9,553,380	10,268,285
Amounts due to financial institutions	431,511	927,321
Government loans	325,569	175,932
Repurchase transactions	37,482	207,360
Borrowings	1,206,733	1,255,391
Bonds issued	250,711	134,638
Total interest and similar expense	11,805,386	12,968,927

## 7 Fee and commission income and expense

In thousand Armenian drams	2017	2016
Cash collection	433,879	520,944
Plastic cards operations	200,476	170,710
Guarantees and letters of credit	16,522	41,689
Foreign currency translation operations	99,975	80,832
Other fees and commissions	146,736	222,393
Total fee and commission income	897,588	1,036,568
Wire transfer fees	70,300	95,529
Plastic cards operations	181,735	142,538
Foreign currency translation operations	6,447	3,410
Stock exchange services	13,638	18,420
Other expenses	26,418	29,688
Total fee and commission expense	298,538	289,585

## 8 Net trading income

In thousand Armenian drams	2017	2016
Gains less losses from transactions in foreign currencies	601,523	594,467
Gains less losses from derivatives	29,751	(256,470)
Loss from security operations	-	(67,280)
Total net trading income	631,274	270,717

## 9 Other income

In thousand Armenian drams	2017	2016
Fines and penalties received	1,273,075	1,105,394
Foreign currency translation net gains of non-trading assets and liabilities	-	181,453
Reversal of impairment of repossessed assets	93,148	126,836
Gains from operations of precious metals	7,121	3,730
Income from leased assets	341,248	-
Other income	18,002	35,346
Total other income	1,732,594	1,452,759

## 10 Impairment charge

In thousand Armenian drams	2017	2016
Loans and advances to customers (Note 18)	5,940,569	4,429,112
Other assets (Note 22)	33,924	7,856
Total impairment charge	5,974,493	4,436,968

## 11 Staff costs

In thousand Armenian drams	2017	2016
Compensations of employees, related taxes included	3,477,720	3,125,380
Staff training and other costs	3,051	2,869
Total staff costs	3,480,771	3,128,249

## 12 Other expenses

In thousand Armenian drams

	2017	2016
Fixed assets maintenance	594,812	549,324
Advertising costs	242,762	334,651
Business trip expenses	12,453	19,620
Communications	150,716	129,651
Operating lease	462,856	669,671
Taxes, other than income tax, duties	389,813	412,076
Foreign currency translation net losses of non-trading assets	428,837	-
Consulting and other services	31,813	88,094
Security	53,869	58,697
Representative expenses	50,892	113,470
Office supplies	87,439	63,922
Penalties paid	2,118	1,878
Deposit insurance	333,306	260,989
Computer software maintenance	44,640	41,001
Cash collection services	67,948	69,336
Loss on impairment of PPE	7	89,434
Loss on disposal of PPE	2,938	16,731
Loss on disposal of repossessed assets	34,853	82,385
Other expenses	156,784	149,653
Total other expense	3,148,856	3,150,583

## 13 Income tax expense

In thousand Armenian drams

	2017	2016
Current tax expense	161,386	149,795
Deferred tax	21,054	(125,246)
Total income tax expense	182,440	24,549

The corporate income tax within the Republic of Armenia is levied at the rate of 20% (2016: 20%). Differences between IFRS and RA statutory tax regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes. Deferred income tax is calculated using the principal tax rate of 20%.

Numerical reconciliation between the tax expenses and accounting profit/(loss) is provided below:

In thousand Armenian drams	2017	Effective rate (%)	2016	Effective rate (%)
Profit/(loss) before tax	250,042		(418,669)	
Income tax at the rate of 20%	50,008	20	(83,734)	(20)
Non-taxable income	(26,991)	(10)	(7,480)	(2)
Other taxable income	2,186	1	4,687	1
Non-deductible expenses	65,520	26	96,073	23
Gains less losses from derivatives	5,950	2	51,294	12
Foreign exchange difference	85,767	34	(36,291)	(9)
Income tax expense	<u>182,440</u>	<u>73</u>	<u>24,549</u>	<u>5</u>

Deferred tax calculation in respect of temporary differences:

In thousand Armenian drams	As of 31 December 2016	Recognized in profit or loss	Recognized in other comprehensive income	As of 31 December 2017
Other liabilities	62,846	10,374	-	73,220
Securities available for sale	96,603	-	(101,537)	(4,934)
Total deferred tax assets	<u>159,449</u>	<u>10,374</u>	<u>(101,537)</u>	<u>68,286</u>
Contingent liabilities	(22,516)	2,555	-	(19,961)
Amounts due from other financial institutions	(9,963)	(11,411)	-	(21,374)
Loans and advances to customers	(770,137)	(35,345)	-	(805,482)
PPE	(314,811)	12,773	(51,153)	(353,191)
Total deferred tax liability	<u>(1,117,427)</u>	<u>(31,428)</u>	<u>(51,153)</u>	<u>(1,200,008)</u>
Net deferred tax liability	<u>(957,978)</u>	<u>(21,054)</u>	<u>(152,690)</u>	<u>(1,131,722)</u>

In thousand Armenian drams

	As of 31 December 2015	Recognized in profit or loss	Recognized in other comprehensive income	As of 31 December 2016
Other liabilities	52,083	10,763	-	62,846
Securities available for sale	229,565	-	(132,962)	96,603
Other assets	36,613	(36,613)	-	-
Total deferred tax assets	318,261	(25,850)	(132,962)	159,449
Contingent liabilities	(22,642)	126	-	(22,516)
Amounts due from other financial institutions	(7,030)	(2,933)	-	(9,963)
Loans and advances to customers	(922,286)	152,149	-	(770,137)
PPE	(97,344)	1,754	(219,221)	(314,811)
Total deferred tax liability	(1,049,302)	151,096	(219,221)	(1,117,427)
Net deferred tax liability	(731,041)	125,246	(352,183)	(957,978)

## 14 Earnings per share

In thousand Armenian drams

	2017	2016
Profit/(loss) for the year	67,602	(443,218)
Dividends on preferred shares	(160,051)	(160,053)
Loss less dividends on preferred shares	(92,449)	(603,271)
Weighted average number of ordinary shares (per share)	203,366,365	173,320,463
Loss per share – basic	(0.0004546)	(0.00348)

## 15 Cash and cash equivalents

In thousand Armenian drams

	As of 31 December 2017	As of 31 December 2016
Cash on hand	7,690,879	7,186,662
Correspondent accounts with CBA	20,879,961	23,274,349
Nostro accounts with other banks	3,273,114	3,086,625
Total cash and cash equivalents	31,843,954	33,547,636

As of 31 December 2017 correspondent account with Central Bank of Armenia includes the obligatory minimum reserve deposits with the CBA, which is computed at 2% of certain obligations of the Bank denominated in Armenian drams and 18% of certain obligations of the Bank, denominated in foreign currency and amounts to AMD 14,638,272 thousand (2016: AMD 15,656,074 thousand, 2% and 18% respectively). There are no restrictions on the withdrawal of funds from the CBA, however, if minimum average requirement is not met, the Bank could be subject to penalties. The mandatory reserve deposits of the Bank are non-interest bearing.

As at 31 December 2017 the accounts in amount of AMD 3,202,814 thousand (98%) (2016: AMD 2,439,644 thousand (79%)) were due from two commercial banks.

Non-cash transactions performed by the Bank during 2017 are represented by:

- repayment of AMD 1,892,940 thousand loan by transfer of property rights on pledge (2016: AMD 3,595,345 thousand).

## 16 Amounts due from financial institutions

In thousand Armenian drams	As of 31 December 2017	As of 31 December 2016
Deposited funds with the CBA	210,000	510,000
Reverse repurchased agreements	-	2,002,157
Deposits in financial institutions	736,930	736,357
Loans to financial institutions	48,620	20,033
Total amounts due from financial institutions	995,550	3,268,547

Deposited funds with CBA include a guaranteed deposit for settlements via ArCa payment system.

Fair value of assets pledged and carrying value of loans under reverse repurchase agreements as at 31 December 2016 are presented as follows:

In thousand Armenian drams	As of 31 December 2017		As of 31 December 2016	
	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans
RA state bonds	-	-	2,123,227	2,002,157
Total assets pledged and loans under reverse repurchase agreements	-	-	2,123,227	2,002,157

## 17 Derivative financial instruments

In thousand Armenian drams	As of 31 December 2017			As of 31 December 2016		
	Notional amount	Fair value of assets	Fair value of liabilities	Notional amount	Fair value of assets	Fair value of liabilities
Derivatives held for trading						
Swaps – foreign currency	2,770,514	3,086	9,993	1,693,790	99,004	-
Total derivative financial instruments	2,770,514	3,086	9,993	1,693,790	99,004	-

The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.



## 18 Loans to customers

In thousand Armenian drams

	As of 31 December 2017	As of 31 December 2016
Loans	118,352,092	104,462,281
Overdrafts	22,532,684	20,108,572
	<u>140,884,776</u>	<u>124,570,853</u>
Less allowances for impairment of loans and advances	(5,756,884)	(5,943,790)
Total loans and advances to customers	<u>135,127,892</u>	<u>118,627,063</u>

As of 31 December 2017 the average effective interest rates on loans and advances to corporate customers were 13.49% for loans in AMD, 12.32% for loans in USD, 12.64% for loans in EUR, 12.30% for loans in RUB. And the average effective interest rates on loans and advances to individuals were 17.82% for loans in AMD, 13.25% for loans in USD, 11.14% for loans in EUR, there are no loans in RUB (2016: on loans and advances to corporate customers were 13.65% for loans in AMD, 13.28% for loans in USD, 15.41% for loans in RUB, 12.79% for loans in EUR. And the average effective interest rates on loans and advances to individuals were 21.66% for loans in AMD, 14.39% for loans in USD, 12.19% for loans in EUR, 19.49% for loans in RUB).

As of 31 December 2017, the Bank had a concentration of loans represented by AMD 34,868,710 thousand due from the 13 largest third party entities and parties related with them (25% of gross loan portfolio) (2016: AMD 27,772,226 thousand due from the 15 largest third party entities and parties related with them (22% of gross loan portfolio). An allowance of AMD 560,441 thousand (2016: AMD 1,308,341 thousand) was made against these loans.

Reconciliation of allowance account for losses on loans and advances by economic sectors is as follows:

In thousand Armenian drams

	As of 31 December 2017	As of 31 December 2016
Industry	8,591,135	9,859,654
Agriculture	547,754	702,761
Construction	9,426,511	5,487,155
Transportation	5,851,808	3,916,190
Trade	24,403,124	24,952,250
Services	8,073,613	8,879,170
Consumer	55,631,593	47,898,778
Mortgage	11,871,486	12,600,173
Other	16,487,752	10,274,722
	<u>140,884,776</u>	<u>124,570,853</u>
Less allowances for impairment of loans and advances	(5,756,884)	(5,943,790)
Total loans and advances	<u>135,127,892</u>	<u>118,627,063</u>

Reconciliation of allowance account for losses on loans and advances by class is as follows:

In thousand Armenian drams	As of 31 December 2017									
	Industry	Agriculture	Construction	Transport	Trading	Service	Consumer	Mortgage	Other	Total
At 1 January 2017	466,732	24,377	324,341	504,759	1,726,813	549,480	1,227,389	531,033	588,866	5,943,790
Charge/(reversal) for the year	(254,322)	(25,845)	156,575	(157,259)	1,180,917	68,234	5,486,389	(355,085)	(159,035)	5,940,569
Amounts written off	(971,931)	-	(233,847)	(141,650)	(1,633,458)	(124,905)	(5,332,228)	(314,234)	(17,160)	(8,769,413)
Recoveries	1,077,422	6,946	34,674	21,296	151,971	204,742	738,650	257,001	149,236	2,641,938
At 31 December 2017	<u>317,901</u>	<u>5,478</u>	<u>281,743</u>	<u>227,146</u>	<u>1,426,243</u>	<u>697,551</u>	<u>2,120,200</u>	<u>118,715</u>	<u>561,907</u>	<u>5,756,884</u>
Individual impairment	239,313	-	195,926	119,786	1,110,306	651,500	185,451	-	406,382	2,908,664
Collective impairment	78,588	5,478	85,817	107,360	315,937	46,051	1,934,749	118,715	155,525	2,848,220
	<u>317,901</u>	<u>5,478</u>	<u>281,743</u>	<u>227,146</u>	<u>1,426,243</u>	<u>697,551</u>	<u>2,120,200</u>	<u>118,715</u>	<u>561,907</u>	<u>5,756,884</u>
Gross amount of loans individually determined to be impaired, before deducting any individually assessed impairment allowance	<u>732,359</u>	<u>-</u>	<u>844,776</u>	<u>201,264</u>	<u>3,340,650</u>	<u>3,468,515</u>	<u>1,888,572</u>	<u>-</u>	<u>935,271</u>	<u>11,411,407</u>

In thousand Armenian drams	As of 31 December 2016									
	Industry	Agriculture	Construction	Transport	Trading	Service	Consumer	Mortgage	Other	Total
At 1 January 2016	266,353	21,000	85,468	504,175	1,248,540	1,068,221	946,317	352,011	81,110	4,573,195
Charge/(reversal) for the year	286,698	15,763	213,934	207,889	564,577	(292,011)	2,657,130	320,845	454,287	4,429,112
Amounts written off	(376,348)	(17,791)	(4,609)	(244,320)	(671,174)	(248,097)	(3,097,785)	(454,972)	(893)	(5,115,989)
Recoveries	290,029	5,405	29,548	37,015	584,870	21,367	721,727	313,149	54,362	2,057,472
At 31 December 2016	<u>466,732</u>	<u>24,377</u>	<u>324,341</u>	<u>504,759</u>	<u>1,726,813</u>	<u>549,480</u>	<u>1,227,389</u>	<u>531,033</u>	<u>588,866</u>	<u>5,943,790</u>

As of 31 December 2016

In thousand Armenian drams	Industry	Agriculture	Construction	Transport	Trading	Service	Consumer	Mortgage	Other	Total
Individual impairment	377,928	17,643	275,797	496,938	1,529,388	502,611	215,537	301,106	502,630	4,219,578
Collective impairment	88,804	6,734	48,544	7,821	197,425	46,869	1,011,852	229,927	86,236	1,724,21
	<u>466,732</u>	<u>24,377</u>	<u>324,341</u>	<u>504,759</u>	<u>1,726,813</u>	<u>549,480</u>	<u>1,227,389</u>	<u>531,033</u>	<u>588,866</u>	<u>5,943,790</u>
Gross amount of loans individually determined to be impaired, before deducting any individually assessed impairment allowance	<u>979,218</u>	<u>29,404</u>	<u>632,716</u>	<u>3,134,141</u>	<u>5,217,432</u>	<u>4,192,285</u>	<u>408,659</u>	<u>921,433</u>	<u>1,009,624</u>	<u>16,524,912</u>

Loans and advances by customer profile may be specified as follows:

In thousand Armenian drams	As of 31 December 2017	As of 31 December 2016
State owned enterprises	824,858	323,214
Privately held companies	56,711,773	51,531,905
Individuals	71,422,427	61,433,218
Sole proprietors	11,925,718	11,282,516
	<u>140,884,776</u>	<u>124,570,853</u>
Less allowance for loans and advances impairment	(5,756,884)	(5,943,790)
Total loans and advances to customers	<u>135,127,892</u>	<u>118,627,063</u>

Loans to individuals are presented below:

In thousand Armenian drams	As of 31 December 2017	As of 31 December 2016
Mortgage loans	11,871,486	12,600,173
Consumer	55,289,992	47,350,203
Car loans	340,104	537,475
Other	3,920,845	945,367
Total loans and advances to individuals (gross)	<u>71,422,427</u>	<u>61,433,218</u>

As at 31 December 2017 and 2016 the estimated fair value of loans and advances to customers approximates its carrying value. Refer to Note 32.

Other analyses of loans and advances to customers are disclosed in Note 35. The information on related party balances is disclosed in Note 31.

Maturity analysis of loans and advances to customers are disclosed in Note 34.

## 19 Available-for-sale investments

In thousand Armenian drams	As of 31 December 2017	As of 31 December 2016
<i>Unquoted investments</i>		
Shares of Armenian companies	21,460	12,690
RA state bonds	12,168,958	13,902,603
Corporate bonds	1,401,613	484,661
Total available-for-sale investments	13,592,031	14,399,954

All debt securities have fixed coupons.

The fair value of unquoted available-for-sale debt securities is measured using a valuation technique, which uses current market rates to discount future cash flows of the financial instruments.

Available for sale debt securities by efficient interest rates and maturity date comprise:

In thousand Armenian drams	As of 31 December 2017		As of 31 December 2016	
	%	Maturity	%	Maturity
RA state bonds	5.72-14.94%	2018-2028	5.72-14.94%	2018-2028

Available-for-sale debt securities at fair value of AMD 7,877,164 thousand were pledged to third parties in sale and repurchase agreements for periods not exceeding 2 months. These have been reclassified as securities pledged under repurchase agreements on the face of the balance sheet (Note 28).

All unquoted available-for-sale shares are recorded at cost less impairment losses, as the fair value cannot be reliably estimated. There is no quoted market for these investments and the Bank intends to keep them for a long time.

## 20 Property, plant and equipment

In thousand Armenian drams	Land and buildings	Leasehold improvements	Computer and communication technologies	Vehicles	Fixtures and fittings	Total
<i>Cost</i>						
At 1 January 2016	3,366,354	405,062	1,055,870	179,527	2,531,869	7,538,682
Additions	1,150,991	36,811	133,312	2,526	707,843	2,031,483
Disposals	(94,314)	-	(30,759)	-	(30,092)	(155,165)
Revaluation	1,006,672	-	-	-	-	1,006,672
Depreciation adjustment as a result of revaluation	(120,938)	-	-	-	-	(120,938)
Reclassification	299,994	(299,994)	-	-	-	-
At 31 December 2016	5,608,759	141,879	1,158,423	182,053	3,209,620	10,300,734

In thousand Armenian  
drams

	Land and buildings	Leasehold improve- ments	Computer and communi- cation technologies	Vehicles	Fixtures and fittings	Total
Additions	97,905	106,637	93,584	66,716	603,424	968,266
Disposals	(70,002)	(1,276)	(43,381)	(63,268)	(135,700)	(313,627)
Revaluation	255,757	-	-	-	-	255,757
Depreciation adjustment as a result of revaluation combination	(70,665)	-	-	-	-	(70,665)
At 31 December 2017	5,821,754	247,240	1,208,626	185,501	3,677,344	11,140,465
<i>Accumulated depreciation</i>						
At 1 January 2016	9,549	92,319	696,205	80,743	1,494,524	2,373,340
Charge for the year	68,867	6,222	129,216	26,060	219,648	450,013
Disposals	(1,813)	-	(30,236)	-	(21,345)	(53,394)
Depreciation adjustment as a result of revaluation combination	(120,938)	-	-	-	-	(120,938)
Reclassification	56,177	(56,177)	-	-	-	-
At 31 December 2016	11,842	42,364	795,185	106,803	1,692,827	2,649,021
Charge for the year	68,382	4,320	155,794	13,119	269,735	511,350
Disposals	(334)	(1,275)	(42,341)	(52,450)	(46,251)	(142,651)
Depreciation adjustment as a result of revaluation combination	(70,665)	-	-	-	-	(70,665)
At 31 December 2017	9,225	45,409	908,638	67,472	1,916,311	2,947,055
<i>Carrying amount</i>						
At 31 December 2016	5,596,917	99,515	363,238	75,250	1,516,793	7,651,713
At 31 December 2017	5,812,529	201,831	299,988	118,029	1,761,033	8,193,410

### Revaluation of assets

The land and buildings owned by the Bank were evaluated by an independent appraiser in December 2017 using the comparative sales methods resulting in a net decrease in amount of AMD 255,757 thousand (2016: AMD 1,006,672 thousand). Management has based their estimate of the fair value of the land and buildings on the results of the independent appraisal.

If the land and buildings were presented in difference of cost and accumulated depreciation the carrying value would have been AMD 5,555,765 thousand as at 31 December 2017 (2016: AMD 4,512,820 thousand).

### Fully depreciated items

As at 31 December 2017 fixed assets included fully depreciated and amortized assets in cost of AMD 1,819,313 thousand (2016: AMD 1,203,695 thousand).

### Fixed assets in the phase of installation

As at 31 December 2017 fixed assets included assets in the phase of installation amounting AMD 1,035,877 thousand, containing buildings in amount of AMD 50,600 thousand (2016: AMD 737,736 thousand, containing buildings in amount of AMD 18,200 thousand)

### *Restrictions on title of fixed assets*

As at 31 December 2017, the Bank did not possess any fixed assets pledged as security for liabilities or whose title is otherwise restricted (2016: either).

### *Contractual commitments*

As at 31 December 2017, the Bank had no contractual commitment in respect of investments in fixed assets (2016: nil).

## 21 Intangible assets

Details of financial and non-financial assets obtained by the Bank during the year by taking possession of collateral held as security against loans and advances as of December 31 are shown below:

In thousand Armenian drams

	<b>Licenses</b>	<b>Acquired software licenses</b>	<b>Other</b>	<b>Total</b>
<i>Cost</i>				
At 1 January 2016	930,838	667,307	100,433	1,698,578
Additions	6,104	143,720	588	150,412
Disposals	-	(115)	-	(115)
At 31 December 2016	936,942	810,912	101,021	1,848,875
Additions	7,825	121,110	-	128,935
At 31 December 2017	944,767	932,022	101,021	1,977,810
<i>Accumulated depreciation</i>				
At 1 January 2016	171,596	153,462	59,472	384,530
Amortisation charge	56,491	25,470	2,398	84,359
Disposals	-	(115)	-	(115)
At 31 December 2016	228,087	178,817	61,870	468,774
Amortisation charge	55,702	30,663	2,397	88,762
At 31 December 2017	283,789	209,480	64,267	557,536
<i>Carrying amount</i>				
At 31 December 2016	708,855	632,095	39,151	1,380,101
At 31 December 2017	660,978	722,542	36,754	1,420,274

### *Contractual commitments*

As at 31 December 2017, the Bank did not have contractual commitments in respect of investments in intangible assets.

As at 31 December 2017, the Bank did not possess any intangible assets pledged as security for liabilities or whose title is otherwise restricted.

As at 31 December 2017, the licenses included the software license for clearing operations with plastic cards at the carrying amount of AMD 489,449 thousand (2016: AMD 534,750 thousand).

## 22 Other assets

In thousand Armenian drams

	As of 31 December 2017	As of 31 December 2016
Prepayments and other debtors	629,014	488,267
Accounts receivable	208,658	153,094
Other assets	638,733	564,424
	1,476,405	1,205,785
Less allowance for impairment	(12,707)	(10,522)
	1,463,698	1,195,263
Reposessed assets	1,876,321	4,993,452
Other prepaid taxes	3,399	-
Materials	148,063	96,273
Precious metals	63,194	56,073
Total other assets	3,554,675	6,341,061

Reposessed assets serving as security for loans extended by the Bank are real estate. The assets are measured at the lower of their carrying amount and fair value less costs to sell.

Reconciliation of allowance account for losses on other assets is as:

In thousand Armenian drams

	Total
At 1 January 2016	16,081
Charge for the year	7,856
Reversal	(13,415)
At 31 December 2016	10,522
Charge for the year	33,924
Reversal	(31,739)
At 31 December 2017	12,707

## 23 Amounts due to financial institutions

In thousand Armenian drams

	As of 31 December 2017	As of 31 December 2016
Correspondent accounts of other banks	1,751,864	4,217
Current accounts of other financial institutions	93,025	84,011
Loans from financial institutions	6,606,372	4,006,148
Loans under repurchase agreements	7,773,155	-
Deposits from financial institutions	1,026,110	948,312
Total amounts due to financial institutions	17,250,526	5,042,688

As of 31 December 2017 the average effective interest rates on amounts due to financial institutions was 8.00% for borrowings in AMD (2016: 8.98%) and 3.22% for borrowings in USD (2016: 6.2%).

All deposits from financial institutions have fixed interest rates. Loans have variable and fixed interest rates.

The Bank has not had any defaults of principal, interest or other breaches with respect to its liabilities during the period (2016: nil).

## 24 Amounts due to customers

In thousand Armenian drams	As of 31 December 2017	As of 31 December 2016
Corporate customers		
Current/Settlement accounts	7,011,387	6,338,541
Time deposits	18,171,418	21,520,427
	<u>25,182,805</u>	<u>27,858,968</u>
Retail customers		
Current/Demand accounts	10,943,532	6,870,910
Time deposits	92,301,586	93,282,691
	<u>103,245,118</u>	<u>100,153,601</u>
Total amounts due to customers	<u><u>128,427,923</u></u>	<u><u>128,012,569</u></u>

Deposits from corporate and retail customers carry fixed interest rates.

As at 31 December 2017 included in current and time deposit accounts of retail and corporate customers are deposits amounting to AMD 13,978,166 thousand (2016: AMD 15,228,974 thousand), held as security against loans provided and guarantees issued. The fair value of those deposits approximates the carrying amount.

At 31 December 2017 the aggregate balance of top ten retail and corporate customers of the Bank amounts to AMD 23,009,790 thousand (2016: AMD 28,217,786 thousand) or 18% of total retail and corporate customer accounts (2016: 22%).

The Bank has not had any defaults of principal, interest or other breaches with respect to its liabilities during the period (2016: nil).

As of 31 December 2017 the average effective interest rates on amounts due to corporate customers were 13.81% for liabilities in AMD, 5.61% for liabilities in USD, 1.65% for liabilities in EUR. The average effective interest rates on amounts due to individuals were 9.55% for liabilities in AMD, 4.65% for liabilities in USD, 3.45% for liabilities in EUR, 7.8% for liabilities in RUB (2016: for corporate customers 13.2% for liabilities in AMD, 5.93% for liabilities in USD, 3.73% for liabilities in EUR. The average effective interest rates on amounts due to individuals were 13.27% for liabilities in AMD, 6.24% for liabilities in USD, 6.6% for liabilities in EUR).

## 25 Borrowings

In thousand Armenian drams	As of 31 December 2017	As of 31 December 2016
Subordinated debt provided by non-financial organizations	3,389,708	7,714,584
Loans from RA Government	5,199,665	3,125,813
Other borrowing	6,155,191	2,419,990
Total subordinated debt	<u><u>14,744,564</u></u>	<u><u>13,260,387</u></u>



The amounts due to Government of the RA represent loans received from the International Fund for Agricultural Development within the scope of “Rural Areas Development Programme” and “Economy stabilization lending programme”. Loans carry fixed interest rates.

The Bank has borrowed long-term subordinated debt and short-term revolving borrowing from the party related to Bank (see note 31).

As of 31 December 2017 the average effective interest rate on amounts due to Government of the RA was 6.19% for loans in AMD, 4.06% for loans in USD (2016: the average effective interest rate was 7.39% for loans in AMD, 4.06% for loans in USD).

The Bank has not had any defaults of principal, interest or other breaches with respect to its liabilities during the period (2016: nil).

As of 31 December 2017 average weighted interest rate of borrowings was 11.59% (2016: 12.87%).

## 26 Debt securities issued

In thousand Armenian drams	As of 31 December 2017	As of 31 December 2016
Bonds issued	5,139,360	2,652,531
Total debt securities issued	<u>5,139,360</u>	<u>2,652,531</u>

During 2016 the Bank has issued 18,482 nominal coupon bonds with nominal value of AMD 10,000, 13.5% of interest rate and maturing up to 2018.

During 2016 the Bank has issued 50,000 nominal coupon bonds with nominal value of USD 100, 8% of interest rate and maturing up to 2018.

During 2017 the Bank has issued 25,000 nominal coupon bonds with nominal value of AMD 10,000, 13.5% of interest rate and maturing up to 2020.

During 2017 the Bank has issued 50,000 nominal coupon bonds with nominal value of USD 100, 8% of interest rate and maturing up to 2020.

The bonds of the Bank are listed at “NASDAQ OMX Armenia” stock exchange.

During the year the Bank has not repurchased any issued bond.

The Bank has not had any defaults of principal, interest or other breaches with respect to its liabilities during the period.

## 27 Other liabilities

In thousand Armenian drams	As of 31 December 2017	As of 31 December 2016
Accounts payables	115,730	155,691
Due to personnel	284,645	214,485
Total other financial liabilities	<u>400,375</u>	<u>370,176</u>
Tax payable, other than income tax	204,659	197,717
Revenues of future periods	50,996	59,000
Total other non-financial liabilities	<u>255,655</u>	<u>256,717</u>
Total other liabilities	<u>656,030</u>	<u>626,893</u>

## 28 Securities pledged under repurchase agreements

In thousand Armenian drams	Asset		Liability	
	As of 31 December 2017	As of 31 December 2016	As of 31 December 2017	As of 31 December 2016
Available for sale securities (Note 19, 23)	7,877,164	-	7,773,155	-
				-
	<u>7,877,164</u>	<u>-</u>	<u>7,773,155</u>	<u>-</u>

The pledged securities are those financial assets pledged under repurchase agreements with other banks with the right to sell or re-pledge by the counterparty.

These transactions are conducted under terms that are usual and customary to standard lending and securities borrowing and lending activities.

## 29 Equity

As at 31 December 2017 the Bank's registered and paid-in share capital was AMD 20,489,653 thousand. In accordance with the Bank's statute, the share capital consists of 172,886,525 ordinary shares, all of which have a par value of AMD 100 each and 32,010,000 preference shares, all of which have a par value of AMD 100 each.

The respective shareholdings as at 31 December 2017 and 2016 may be specified as follow:

In thousand Armenian drams	As of 31 December 2017		As of 31 December 2016	
	Paid-in share capital	% of total paid-in capital	Paid-in share capital	% of total paid-in capital
Uniholding GG Ltd	17,981,523	88	-	-
Sfikaro Investments Ltd	1,350,900	6	1,231,903	6
Arolova Enterprises Ltd	776,701	4	708,284	4
Ripatonso Holdings Ltd	-	-	16,805,935	88
Other	380,529	2	347,256	2
	<u>20,489,653</u>	<u>100</u>	<u>19,093,378</u>	<u>100</u>

As at 31 December 2017 the Bank did not possess any of its own shares.

In 2017 the Bank increased its share capital by AMD 3,211,432 thousand, from which the share premium was AMD 1,815,157 thousand (2016: AMD 11,328,490 thousand, from which the share premium was AMD 6,403,059 thousand). The share capital of the Bank was contributed through dividends declared and they are entitled to dividends and any capital distribution in Armenian Drams.

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at annual and general meetings of the Bank. The holders of preference shares are entitled to one vote only at reorganization and liquidation of the Bank and when decisions of the statute limit their rights, as well as they have guaranteed annual dividend.

As at 31 December 2017 the dividends for preference shareholders recognized in the financial statements amounted to AMD 160,051 thousand (2016: AMD 160,053 thousand).

Distributable among shareholders reserves equal the amount of retained earnings. Non-distributable reserves are represented by a reserve fund, which is created as required by the statutory regulations, in respect of general banking risks, including future losses and other unforeseen risks or contingencies. The reserve has

been created in accordance with the Bank's statutes that provide for the creation of a reserve for these purposes of not less than 15% of the Bank's share capital reported in statutory book.

## 30 Contingent liabilities and commitments

### *Tax and legal matters*

The taxation system in Armenia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. Taxes are subject to review and investigation by tax authorities, which have the authority to impose fines and penalties. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by tax authorities once three years have elapsed from the date of the breach.

These circumstances may create tax risks in Armenia that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Armenian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant. Management believes that the Bank has complied with all regulations and has completely settled all its tax liabilities.

Management believes that the Bank has complied with all regulations and has completely settled all its tax liabilities.

Management also believes that the ultimate liability, if any, arising from legal actions and complaints taken against the Bank, will not have a material adverse impact on the financial condition or results of future operations of the Bank

### *Loan commitment, guarantee and other financial facilities*

In the normal course of business, the Bank is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the statement of financial position.

As of 31 December the nominal or contract amounts were:

In thousand Armenian drams	As of 31 December 2017	As of 31 December 2016
Undrawn loan commitments	7,307,417	3,808,689
Guarantees	482,605	2,184,384
Total commitments and contingent liabilities	7,790,022	5,993,073

### *Operating lease commitments – Bank as a lessee*

In the normal course of business the Bank enters into commercial lease agreements for its buildings and premises.

The future aggregate minimum lease payments under operating leases are as follows:

In thousand Armenian drams	As of 31 December 2017	As of 31 December 2016
Not later than 1 year	459,302	331,816
Later than 1 year and not later than 5 years	806,463	625,668
Later than 5 years	47,065	46,719
Total operating lease commitments	1,312,830	1,004,203

The aggregated minimum lease payments have increased mainly due to the prolongation of the head office lease contract term.

### *Capital commitments*

Information on the Bank's capital commitments is disclosed in notes 20 and 21.

### *Insurance*

The insurance industry in Armenia is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Bank anticipates partial coverage for business interruption, or for third party liability in respect of property or environmental damage arising from accidents on Bank property or relating to Bank operations. Until the Bank obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Bank's operations and financial position.

## 31 Transactions with related parties

In accordance with IAS 24 Related Party Disclosures, parties are considered to be related if one party has ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. For the purpose of the present financial statements, related parties include shareholders, members of Bank's Management as well as other persons and enterprises related with and controlled by them respectively.

The shareholder company is controlled by Russian businessmen G. Zaqaryan and G. Piskov with equal voting shares.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and other transactions.

The volumes of related party transactions, outstanding balances at the year end, and related expense and income for the year are as follows:

In thousand Armenian drams	2017		2016	
	Shareholders and parties related with them	Key management personnel and parties related with them	Shareholders and parties related with them	Key management personnel and parties related with them

### *Statement of financial position*

#### *Loans and advances to customers*

Loans outstanding at January 1, gross	3,650,987	197,982	239,451	208,518
Loans issued during the year	26,891	279,456	3,551,055	148,155
Loan repayments during the year	(222,985)	(95,154)	(139,519)	(158,691)
Loans outstanding at 31 December gross	3,454,893	382,284	3,650,987	197,982
Less: allowance for loan impairment	(34,549)	(3,823)	(36,510)	(1,980)
Loans outstanding at December 31	<u>3,420,344</u>	<u>378,461</u>	<u>3,614,477</u>	<u>196,002</u>

In thousand Armenian drams

	2017		2016	
	Shareholders and parties related with them	Key management personnel and parties related with them	Shareholders and parties related with them	Key management personnel and parties related with them
<i>Amounts due from other financial institutions</i>				
At January 1	356,283	-	566,731	-
Increase	43,901,871	-	53,838,524	-
Decrease	(43,980,977)	-	(54,048,972)	-
At December 31	<u>277,177</u>	<u>-</u>	<u>356,283</u>	<u>-</u>
<i>Amounts due to financial institutions</i>				
At January 1	440,151	-	874,173	-
Increase	17,108,731	-	6,670,222	-
Decrease	(15,672,594)	-	(7,104,244)	-
At December 31	<u>1,876,288</u>	<u>-</u>	<u>440,151</u>	<u>-</u>
<i>Amounts due to customers</i>				
At January 1	449,792	241,194	671,531	192,156
Deposits received during the year	7,762,798	925,196	35,735,685	1,609,908
Deposits repaid during the year	(7,975,848)	(1,026,744)	(35,957,424)	(1,560,870)
At December 31	<u>236,742</u>	<u>139,616</u>	<u>449,792</u>	<u>241,194</u>
<i>Borrowings</i>				
At January 1	10,134,574	-	7,511,491	-
Received during the year	31,577,312	-	43,330,941	-
Repaid during the year	(32,166,987)	-	(40,707,858)	-
Borrowings at December 31	<u>9,544,899</u>	<u>-</u>	<u>10,134,574</u>	<u>-</u>
Debt securities issued	-	56,642	-	-
<i>Statement of profit or loss and other comprehensive income</i>				
Interest and similar income	392,646	37,482	210,410	24,052
Interest and similar expenses	(1,229,827)	(10,004)	(1,273,155)	(50,748)
Charge/(reversal) of credit losses	(1,961)	1,843	34,115	(105)
Operating lease expenses	-	-	(307,473)	-
Insurance payments	(33,639)	-	(35,121)	-

The loans issued to parties related with the Bank are repayable in 1-20 years and have interest rate 8%-23%.

Compensation of key management personnel was comprised of the following:

In thousand Armenian drams	2017	2016
Salaries and bonuses	750,989	590,026
Total key management compensation	750,989	590,026

## 32 Fair value measurement

Financial and non-financial assets and liabilities measured at fair value in the statement of financial position are presented below. This hierarchy groups financial and non-financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### 32.1 Financial instruments that are not measured at fair value

The table below presents the fair value of financial assets and liabilities not measured at their fair value in the statement of financial position and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

In thousand Armenian drams	As of 31 December 2017				
	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
<i>Financial assets</i>					
Cash and cash equivalents	-	31,843,954	-	31,843,954	31,843,954
Amounts due from financial institutions	-	995,550	-	995,550	995,550
Loans and advances to customers	-	135,127,892	-	135,127,892	135,127,892
<i>Financial liabilities</i>					
Amounts due to financial institutions	-	17,250,526	-	17,250,526	17,250,526
Amounts due to customers	-	128,427,923	-	128,427,923	128,427,923
Borrowings	-	14,744,564	-	14,744,564	14,744,564
Issued debt securities	-	5,183,230	-	5,183,230	5,139,360
Other financial liabilities	-	400,375	-	400,375	400,375

In thousand Armenian drams

As of 31 December 2016

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
<i>Financial assets</i>					
Cash and cash equivalents	-	33,547,636	-	33,547,636	33,547,636
Amounts due from financial institutions	-	3,268,547	-	3,268,547	3,268,547
Loans and advances to customers	-	118,627,063	-	118,627,063	118,627,063
<i>Financial liabilities</i>					
Amounts due to financial institutions	-	5,042,688	-	5,042,688	5,042,688
Amounts due to customers	-	128,012,569	-	128,012,569	128,012,569
Borrowings	-	13,260,387	-	13,260,387	13,260,387
Issued debt securities	-	2,695,156	-	2,695,156	2,652,531
Other financial liabilities	-	370,176	-	370,176	370,176

#### *Amounts due from and to financial institutions*

For assets and liabilities maturing within one month, the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments. For the assets and liabilities maturing in over one month, the fair value was estimated as the present value of estimated future cash flows discounted at the appropriate year-end market rates, which are mainly the same as current interest rates.

#### *Loans and advances to customers*

The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty and ranged from 5% to 24% per annum (2016: 9% to 24% per annum).

The fair value of the impaired loans is calculated based on expected cash flows from the sale of collateral. The value of collateral is based on appraisals performed by independent, professionally-qualified property valuers.

#### *Borrowings*

The estimated fair value of fixed interest-bearing deposits and other borrowings not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

#### *Debt securities issued*

The estimated fair value of the issued debt securities is determined based on the estimated future cash flows discounted at the relevant interest rates at the end of the year, which mainly coincides with the current interest rates.

## 32.2 Financial instruments that are measured at fair value

In thousand Armenian drams

	As of 31 December 2017			
	Level 1	Level 2	Level 3	Total
<i>Financial assets</i>				
Derivative financial assets	-	3,086	-	3,086
Investments available-for-sale	-	13,570,571	-	13,570,571
Securities pledged under repurchase agreements	-	7,877,164	-	7,877,164
Total	-	21,450,821	-	21,450,821
<i>Financial liabilities</i>				
Derivative financial liabilities	-	9,993	-	9,993
Total	-	9,993	-	9,993
Net fair value	-	21,440,828	-	21,440,828

In thousand Armenian drams

	As of 31 December 2016			
	Level 1	Level 2	Level 3	Total
<i>Financial assets</i>				
Investments available-for-sale	-	14,387,264	-	14,387,264
Derivative financial assets	-	99,004	-	99,004
Total	-	14,486,268	-	14,486,268

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

### *Unlisted equity investments.*

The fair value of Bank's investments in unlisted equity investments cannot be reliably measured and is therefore excluded from this disclosure. Refer to Note 19 for further information about this equity investment.

## 32.3 Fair value measurement of non-financial assets and liabilities

In thousand Armenian drams

	As of 31 December 2017			
	Level 1	Level 2	Level 3	Total
NON FINANCIAL ASSETS				
Property plant and equipment				
<i>Land and buildings</i>	-	-	5,821,754	5,821,754
Total non-financial assets	-	-	5,821,754	5,821,754
NET FAIR VALUE	-	-	5,821,754	5,821,754



In thousand Armenian drams

	As of 31 December 2016			
	Level 1	Level 2	Level 3	Total
NON FINANCIAL ASSETS				
Property plant and equipment				
<i>Land and buildings</i>	-	-	5,608,759	5,608,759
Total non-financial assets	-	-	5,608,759	5,608,759
NET FAIR VALUE	-	-	5,608,759	5,608,759

*Fair value measurements in Level 3*

The Bank's financial assets were classified in Level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The non-financial assets within this level can be reconciled from beginning to ending balance as follows:

In thousand Armenian drams

	2017	
	Property plant equipment	Total
NON FINANCIAL ASSETS		
Balance as at 1 January 2017	5,608,759	5,608,759
Net loss from impairment recognized in comprehensive income	(7)	(7)
Depreciation adjustment as a result of revaluation of PPE	(70,665)	(70,665)
Gain recognised in other comprehensive income	255,764	255,764
Additions	97,905	97,905
Disposal	(70,002)	(70,002)
Balance as at 31 December, 2017	5,821,754	5,821,754
NET FAIR VALUE	5,821,754	5,821,754

In thousand Armenian drams

	2016	
	Property plant equipment	Total
NON FINANCIAL ASSETS		
Balance as at 1 January 2016	3,366,354	3,366,354
Net loss from impairment recognized in comprehensive income	(89,434)	(89,434)
Depreciation adjustment as a result of revaluation of PPE	(120,938)	(120,938)
Gains recognised in other comprehensive income	1,096,106	1,096,106
Additions	1,450,985	1,450,985
Disposal	(94,314)	(94,314)
Balance as at 31 December, 2016	5,608,759	5,608,759
NET FAIR VALUE	5,608,759	5,608,759

Fair value of the Bank's main property assets is estimated based on appraisals performed by independent, professionally-qualified property valuers. The significant inputs and assumptions are developed in close consultation with Management. The valuation processes and fair value changes are reviewed by the board of directors and audit committee at each reporting date.

The appraisal was carried out using a comparative approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location, encumbrances and current use and other.

### 33 Offsetting of financial assets and financial liabilities

In the ordinary course of business, the Bank performs different operations with financial instruments which may be presented in net amounts when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The table below presents financial assets and financial liabilities that are offset in the statement of financial position or are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

In thousand Armenian drams

	As at 31 December 2017					
	Gross amount of recognised financial liabilities	Gross amount of recognised financial liabilities in the statement of financial position	Net amount of financial liabilities in the statement of financial position	Related amounts that are not offset in the statement of financial position		
				Financial instruments in the statement of financial position	Cash collateral received	Net
<i>Financial liabilities</i>						
Loans under repurchase agreements (Note 23)	(7,773,155)	-	(7,773,155)	7,877,164	-	104,009

In thousand Armenian drams

	As at 31 December 2016					
	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities in the statement of financial position	Net amount of financial assets in the statement of financial position	Related amounts that are not offset in the statement of financial position		
				Financial instruments in the statement of financial position	Cash collateral received	Net
<i>Financial assets</i>						
Reverse repurchase agreements (Note 16)	2,002,157	-	2,002,157	2,002,157	-	-

## 34 Maturity analysis of assets and liabilities

The table below shows an analysis of financial assets and liabilities analyzed according to when they are expected to be recovered or settled. See Note 35.3 for the Bank's contractual undiscounted repayment obligations.

In thousand Armenian drams		As at 31 December 2017						
	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Subtotal less than 12 months	From 1 to 5 years	More than 5 years	Subtotal over 12 months	Total
<i>Assets</i>								
Cash and cash equivalents	31,843,954	-	-	31,843,954	-	-	-	31,843,954
Amounts due from financial institutions	995,550	-	-	995,550	-	-	-	995,550
Derivative financial assets	3,086	-	-	3,086	-	-	-	3,086
Loans and advances to customers	22,535,590	16,833,869	30,615,659	69,985,118	39,824,897	25,317,877	65,142,774	135,127,892
Available for sale investments	21,460	-	372,867	394,327	4,878,803	8,318,901	13,197,704	13,592,031
Securities pledged under repurchase agreements	7,877,164	-	-	7,877,164	-	-	-	7,877,164
	63,276,804	16,833,869	30,988,526	111,099,199	44,703,700	33,636,778	78,340,478	189,439,677
<i>Liabilities</i>								
Amounts due financial institutions	13,840,218	380,951	1,532,215	15,753,384	40,182	1,456,960	1,497,142	17,250,526
Amounts due customers	32,976,417	28,351,422	58,307,935	119,635,774	7,721,832	1,070,317	8,792,149	128,427,923
Derivative financial liabilities	9,993	-	-	9,993	-	-	-	9,993
Borrowings	10,082	1,233	6,155,191	6,166,506	77,505	8,500,553	8,578,058	14,744,564
Debt securities issued	-	-	2,643,711	2,643,711	2,495,649	-	2,495,649	5,139,360
Other liabilities	400,375	-	-	400,375	-	-	-	400,375
	47,237,085	28,733,606	68,639,052	144,609,743	10,335,168	11,027,830	21,362,998	165,972,741
Net position	16,039,719	(11,899,737)	(37,650,526)	(33,510,544)	34,368,532	22,608,948	56,977,480	23,466,936
Accumulated gap	16,039,719	4,139,982	(33,510,544)		857,988	23,466,936		

In thousand  
Armenian drams

As at 31 December 2016

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Subtotal less than 12 months	From 1 to 5 years	More than 5 years	Subtotal over 12 months	Total
<i>Assets</i>								
Cash and cash equivalents	33,547,636	-	-	33,547,636	-	-	-	33,547,636
Amounts due from financial institutions	1,145,320	40,950	-	1,186,270	1,032,067	1,050,210	2,082,277	3,268,547
Derivative financial assets	99,004	-	-	99,004	-	-	-	99,004
Loans and advances to customers	18,813,969	17,949,658	27,732,206	64,495,833	45,502,662	8,628,568	54,131,230	118,627,063
Available for sale investments	3,213	363,099	1,367	367,679	10,060,199	3,972,076	14,032,275	14,399,954
	<u>53,609,142</u>	<u>18,353,707</u>	<u>27,733,573</u>	<u>99,696,422</u>	<u>56,594,928</u>	<u>13,650,854</u>	<u>70,245,782</u>	<u>169,942,204</u>
<i>Liabilities</i>								
Amounts due financial institutions	193,962	979,024	1,252,654	2,425,640	1,491,262	1,125,786	2,617,048	5,042,688
Amounts due customers	13,244,946	49,962,689	56,480,483	119,688,118	3,833,132	4,491,319	8,324,451	128,012,569
Borrowings	256,949	-	10,145,994	10,402,943	2,857,444	-	2,857,444	13,260,387
Debt securities issued	-	8,820	-	8,820	2,643,711	-	2,643,711	2,652,531
Other liabilities	305,665	64,511	-	370,176	-	-	-	370,176
	<u>14,001,522</u>	<u>51,015,044</u>	<u>67,879,131</u>	<u>132,895,697</u>	<u>10,825,549</u>	<u>5,617,105</u>	<u>16,442,654</u>	<u>149,338,351</u>
Net position	<u>39,607,620</u>	<u>(32,661,337)</u>	<u>(40,145,558)</u>	<u>(33,199,275)</u>	<u>45,769,379</u>	<u>8,033,749</u>	<u>53,803,128</u>	<u>20,603,853</u>
Accumulated gap	<u>39,607,620</u>	<u>6,946,283</u>	<u>(33,199,275)</u>		<u>12,570,104</u>	<u>20,603,853</u>		

## 35 Risk management

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks.

Risk is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Bank's strategic planning process.

### Board of Bank

The Board is responsible for monitoring the overall risk management, approval of strategy and risk management principles.

### *Executive board*

The Executive board of the Bank is responsible for investment and control over the risk management procedures.

### *Risk Management Directorate*

The Risk Management Directorate is responsible for implementation of risk procedures and control over risk management principles, policy and the Bank's risk limits, as well as providing risk valuation and collection of overall information within the financial system.

### *Financial Directorate*

The Financial Directorate of the Bank is responsible for management of assets and liabilities of the Bank. It is also primarily responsible for the funding and liquidity risks of the Bank.

### *Internal audit*

Risk management processes throughout the Bank are audited annually by the internal audit that examines both the integrity of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

### *Risk measurement and reporting systems*

The Bank also runs worst case scenarios that would arise in the event that extreme events which are to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition the Bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks types and activities.

### *Risk mitigation*

As part of its overall risk management, the Bank uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions.

In order to avoid excessive concentrations of risks, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are managed accordingly.

## **35.1 Credit risk**

The Bank takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Bank's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The credit risk management and control are centralised in credit risk management team of Bank's Strategy and Risk Management Department and the Credit subdivision and are reported to the Board of Bank and the Executive board.

The carrying amounts of the Bank's financial assets best represent the maximum exposure to credit risk related to them, without taking account of any collateral held or other credit enhancements.

## 35.1.1 Risk concentrations

### Geographical sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorized by geographical region as of 31 December.

In thousand Armenian drams

	Armenia	OECD countries	Non-OECD countries	Total
Cash and cash equivalents	31,843,954	-	-	31,843,954
Amounts due from other financial institutions	331,234	664,316	-	995,550
Derivative financial assets	-	-	3,086	3,086
Loans and advances to customers	124,374,376	5,511,491	5,242,025	135,127,892
Investments available for sale	13,592,031	-	-	13,592,031
Securities pledged under repurchase agreements	7,877,164	-	-	7,877,164
As at 31 December 2017	<u>178,018,759</u>	<u>6,175,807</u>	<u>5,245,111</u>	<u>189,439,677</u>
As at 31 December 2016	<u>158,660,942</u>	<u>2,894,414</u>	<u>8,386,848</u>	<u>169,942,204</u>

Assets have been classified based on the country in which the counterparty is located.

### Industry sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorized by the industry sectors of the counterparties as of 31 December.

In thousand Armenian drams	Financial institutions	Industry	Agriculture	Construction	Transport	Trading	Services	Consumer sector	Mortgage	Other	Total
Cash and cash equivalents	31,843,954	-	-	-	-	-	-	-	-	-	31,843,954
Amounts due from other financial institutions	995,550	-	-	-	-	-	-	-	-	-	995,550
Derivative financial assets	3,086	-	-	-	-	-	-	-	-	-	3,086
Loans and advances to customers	-	8,240,081	525,371	9,041,322	5,612,689	23,405,955	7,743,706	53,358,355	11,386,389	15,814,024	135,127,892
Investments available for sale	13,592,031	-	-	-	-	-	-	-	-	-	13,592,031
Securities pledged under repurchase agreements	7,877,164	-	-	-	-	-	-	-	-	-	7,877,164
As at 31 December 2017	<u>54,311,785</u>	<u>8,240,081</u>	<u>525,371</u>	<u>9,041,322</u>	<u>5,612,689</u>	<u>23,405,955</u>	<u>7,743,706</u>	<u>53,358,355</u>	<u>11,386,389</u>	<u>15,814,024</u>	<u>189,439,677</u>
As at 31 December 2016	<u>51,315,141</u>	<u>9,392,922</u>	<u>678,384</u>	<u>5,162,814</u>	<u>3,411,431</u>	<u>23,225,437</u>	<u>8,329,690</u>	<u>46,671,389</u>	<u>12,069,140</u>	<u>9,685,856</u>	<u>169,942,204</u>

### 35.1.2 Risk limit control and mitigation policies

The Bank manages limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to industries and countries.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and by country are approved quarterly by the Board of Bank.

The exposure to any one borrower including banks and financial organizations is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below.

#### *Collateral*

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Movable properties of individuals;
- Charges over business assets such as premises, inventory;
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

The analysis of loan portfolio by collateral is represented as follows:

In thousand Armenian drams	As of 31 December 2017	As of 31 December 2016
Loans collateralized by real estate	70,670,551	72,885,020
Loans collateralized by movable property	6,386,071	1,482,968
Loans collateralized by goods in circulation	593,958	277,432
Loans collateralized by guarantees	5,616,929	6,313,192
Loans collateralized by cash	8,224,073	3,514,323
Loans collateralized by household appliances	19,080,000	14,083,535
Unsecured loans	30,313,194	26,014,383
Total loans and advances to customers (gross)	140,884,776	124,570,853

The amounts presented in the table above are carrying values of the loans, and do not necessarily represent the fair value of the collaterals. Estimates of market values of collaterals are based on valuation of the collateral at the date when loans were provided. Generally they are not updated unless loans are assessed as individually impaired.

### *Credit-related commitments*

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments.

However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

## 35.1.3 Impairment and provisioning policies

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Bank addresses impairment assessment into areas: individually assessed allowances and collectively assessed allowances.

### *Individually assessed allowances*

The Bank determines the allowances appropriate for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realizable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

### *Collectively assessed allowances*

Allowances are assessed collectively for losses on loans and advances that are not significant (including credit cards, residential mortgages and unsecured consumer lending) and for individually significant loans and advances where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is not yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration of the following information: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired.

Financial guarantees and letters of credit are assessed and provision made in a similar manner as for loans.

### *Loans and advances neither past due or impaired*

The table below shows the credit quality by class of asset for loans and advances neither past due or impaired, based on the historical counterparty default rates.



In thousand Armenian drams

	As of 31 December 2017	As of 31 December 2016
Loans and advances to customers		
Industry	1%	1%
Agriculture	1%	1%
Construction	1%	1%
Transportation	1.9%	1%
Trade	1.5%	1%
Service	1%	1%
Consumer	3.6%	2.13%
Mortgage	1%	1%
Other	1%	-

As of 31 December 2017 and 2016 the Bank has not had any losses on other financial assets bearing credit risk.

### *Past due but not impaired loans*

Past due loans and advances include those that are only past due by a few days. The majority of the past due loans are not considered to be impaired. Analysis of past due loans by age and by class is provided below.

In thousand Armenian drams

	As of 31 December 2017				
	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
Loans and advances to customers					
Industry	1,294,052	398,141	44,104	1,667,960	3,404,257
Agriculture	-	-	-	366,232	366,232
Construction	1,592	-	-	798,643	800,235
Transportation and communication	4,440	114,137	-	2,663,204	2,781,781
Trade	310,566	52,353	18,524	4,679,332	5,060,775
Service	64,531	5,286	2,496	1,460,619	1,532,932
Consumer	796,398	680,328	275,558	2,396,687	4,148,971
Mortgage	242,708	17,358	24,664	636,836	921,566
Other	-	-	494	2,728,697	2,729,191
Total	2,714,287	1,267,603	365,840	17,398,210	21,745,940

In thousand Armenian drams

As of 31 December 2016

	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
Loans and advances to customers					
Industry	529,141	17,314	149,489	3,548,039	4,243,983
Agriculture	6,491	-	118,658	217,435	342,584
Construction	-	131,428	-	648,750	780,178
Transportation and communication	23,860	-	-	235,437	259,297
Trade	922,821	880,014	390,715	4,706,992	6,900,542
Service	44,982	12,798	40,711	1,165,841	1,264,332
Consumer	849,411	431,530	242,150	2,080,445	3,603,536
Mortgage	358,755	97,229	16,322	779,840	1,252,146
Other	5,294	-	-	2,723,537	2,728,831
Total	<u>2,740,755</u>	<u>1,570,313</u>	<u>958,045</u>	<u>16,106,316</u>	<u>21,375,429</u>

## 35.2 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. The Bank classifies exposures to market risk into either trading or non-trading portfolios. The market risk for the trading portfolio is managed and monitored based on a VaR methodology which reflects the interdependency between risk variables. Non-trading positions are managed and monitored using other sensitivity analyses. Except for the concentrations within foreign currency, the Bank has no significant concentration of market risk.

### 35.2.1 Market risk – Non-trading

#### *Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board of Bank has established limits on the interest rate gaps for stipulated periods. Positions are monitored on a daily basis.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Bank's income statement.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2017. The sensitivity of equity is calculated by revaluing fixed rate available-for-sale financial assets, at 31 December 2017 for the effects of the assumed changes in interest rates.

The sensitivity of equity is analysed by maturity of the asset. The total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve, while the analysis by maturity band displays the sensitivity to non-parallel changes.

In thousand Armenian  
drams

As at 31 December 2017

Currency	Change in basis points	Sensitivity of net interest income	Sensitivity of equity				Total
			Up to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	
AMD	+1	-	-	-	61,232	85,518	147,750
USD	+1	(12,399)	-	-	-	-	(12,399)
AMD	-1	-	-	-	(63,928)	(93,360)	(157,288)
USD	-1	12,399	-	-	-	-	12,399

In thousand Armenian  
drams

As at 31 December 2016

Currency	Change in basis points	Sensitivity of net interest income	Sensitivity of equity				Total
			Up to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	
AMD	+1	-	-	-	179,801	162,253	342,054
USD	+1	(24,197)	-	-	-	-	(24,197)
AMD	-1	-	-	-	(185,243)	(175,682)	(360,925)
USD	-1	24,197	-	-	-	-	24,197

### Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Positions are monitored on a daily basis.

The tables below indicate the currencies to which the Bank had significant exposure at 31 December 2017 on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculated the effect of a reasonably possible movement of the currency rate against the Armenian dram, with all other variables held constant on the income statement (due to the fair value of currency sensitive non-trading monetary assets and liabilities). A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase.

In thousand Armenian drams

Currency	As at 31 December 2017		As at 31 December 2016	
	Change in currency rate in %	Effect on profit before tax	Change in currency rate in %	Effect on profit before tax
USD	+5	(179,387)	+5	(168,715)
EUR	+5	53,240	+5	(4,394)
USD	(5)	179,387	(5)	168,715
EUR	(5)	(53,240)	(5)	4,394

The Bank's exposure to foreign currency exchange risk is as follow:

				2017
In thousand Armenian drams				
	Armenian Dram	Freely convertible currencies/ precious metals	Non-freely convertible currencies	Total
<i>Assets</i>				
Cash and cash equivalents	15,782,849	15,446,920	614,185	31,843,954
Amounts due from other financial institutions	210,609	784,941	-	995,550
Loans and advances to customers	71,417,556	60,261,664	3,448,672	135,127,892
Investments available for sale	5,505,736	8,086,295	-	13,592,031
Securities pledged under repurchase agreements	7,877,164	-	-	7,877,164
	100,793,914	84,579,820	4,062,857	189,436,591
<i>Liabilities</i>				
Amounts due to financial institutions	10,175,711	7,074,795	20	17,250,526
Amounts due to customers	57,769,392	67,503,761	3,154,770	128,427,923
Borrowings	5,158,260	9,586,304	-	14,744,564
Debt securities issued	250,183	4,889,177	-	5,139,360
Other financial liabilities	400,375	-	-	400,375
	73,753,921	89,054,037	3,154,790	165,962,748
Total effect of derivative financial instruments	(2,770,514)	1,979,365	784,242	(6,907)
Net position as at 31 December 2017	24,269,479	(2,494,852)	1,692,309	23,466,936
Commitments and contingent liabilities as of 31 December 2017	1,821,681	5,968,341	-	7,790,022
Total financial assets	86,439,063	80,411,349	2,992,788	169,843,200
Total financial liabilities	64,054,748	83,844,516	1,439,087	149,338,351
Total effect of derivative financial instruments	-	1,693,790	(1,594,786)	99,004
Net position as of 31 December 2016	22,384,315	(1,739,377)	(41,085)	20,603,853
Commitments and contingent liabilities as of 31 December 2016	4,411,339	1,581,734	-	5,993,073

Freely convertible currencies represent mainly US dollar amounts, but also include currencies from other OECD countries. Non-freely convertible amounts relate to currencies of CIS countries, excluding Republic of Armenia

### 35.3 Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily bases. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Bank maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Bank also has committed lines of credit that it can access to meet liquidity needs. In addition, the Bank maintains an obligatory minimum reserve deposits with the Central Bank of Armenia equal to 2% of certain obligations of the Bank denominated in Armenian drams and 18% on certain obligations of the Bank denominated in foreign currency. Refer to Note 15. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank.

The liquidity management of the Bank requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans and monitoring balance sheet liquidity ratios against regulatory requirements. The Bank calculates liquidity ratios in accordance with the requirement of the Central Bank of Armenia.

As of 31 December, these ratios were as follows:

	Not audited	
	As at 31 December 2017, %	As at 31 December 2016, %
N21- Total liquidity ratio (Highly liquid assets/ Total assets)	25.27	29.09
H22- Current liquidity ratio (Highly liquid assets /liabilities on demand)	272.67	372.09

#### *Analysis of financial liabilities by remaining contractual maturities*

The table below summarises the maturity profile of the Bank's financial liabilities at 31 December 2017 based on contractual undiscounted repayment obligations. Refer to Note 34 for the expected maturities of these liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

Analysis of financial liabilities by remaining contractual maturities is as follows:

	As of 31 December 2017					
	Demand and less than 1 month	From 1 to 3 months	From 1 to 3 months	From 1 to 5 years	More than 5 years	Total
<i>Financial liabilities</i>						
Amounts due to financial institutions	13,843,955	385,089	1,618,942	48,741	2,145,763	18,042,490
Amounts due to customers	33,022,155	28,665,039	60,561,755	9,534,664	1,699,311	133,482,924
Borrowings	10,082	1,243	6,646,761	86,149	12,715,788	19,460,023
Debt securities issued	-	-	2,855,207	3,094,605	-	5,949,812
Other financial liabilities	400,375	-	-	-	-	400,375
Total discounted financial liabilities	<u>47,276,567</u>	<u>29,051,371</u>	<u>71,682,665</u>	<u>12,764,159</u>	<u>16,560,862</u>	<u>177,335,624</u>

In thousand Armenian drams

As of 31 December 2017

	Demand and less than 1 month	From 1 to 3 months	From 1 to 3 months	From 1 to 5 years	More than 5 years	Total
<i>Derivative financial liabilities</i>						
<i>Foreign exchange swap contracts</i>						
Inflow	2,763,898	-	-	-	-	2,763,898
Outflow	(2,770,805)	-	-	-	-	(2,770,805)
Commitments and contingent liabilities	338,794	476,502	1,765,339	5,209,387	-	7,790,022

In thousand Armenian drams

As of 31 December 2016

	Demand and less than 1 month	From 1 to 3 months	From 1 to 3 months	From 1 to 5 years	More than 5 years	Total
<i>Financial liabilities</i>						
Amounts due to financial institutions	195,491	995,118	1,347,032	2,087,767	1,688,679	6,314,087
Amounts due to customers	13,353,809	50,783,993	60,735,862	5,749,698	4,940,451	135,563,813
Borrowings	387,147	347,194	11,339,475	4,229,017	-	16,302,833
Debt securities issued	18,292	57,598	167,673	2,883,451	-	3,127,014
Other financial liabilities	87,639	64,511	-	-	-	152,150
Total discounted financial liabilities	14,042,378	52,248,414	73,590,042	14,949,933	6,629,130	161,459,897
<i>Derivative financial liabilities</i>						
<i>Foreign exchange swap contracts</i>						
Inflow	1,693,790	-	-	-	-	1,693,790
Outflow	(1,594,786)	-	-	-	-	(1,594,786)
Commitments and contingent liabilities	268,019	844,599	1,625,022	3,255,433	-	5,993,073

The Bank has a significant cumulative maturity mismatch of the assets and liabilities up to one year. Refer to note 34. This liquidity mismatch arises due to the fact that the major source of finance for the Bank as at 31 December 2017 was customer deposits maturing in up to one year. Management believes that in spite of a substantial portion of customer accounts with maturity up to one year, the past experience of the Bank indicates that these deposits provide a long-term and stable source of finance for the Bank.

## 36 Reconciliation of liabilities arising from financing activities

The changes in the Bank's liabilities arising from financing activities can be classified as follows:

In thousand Armenian drams	As of 31 December 2017				
	Amounts due to financial institutions	Borrowings	Debt securities issued	Dividends	Total
As of 1 January 2017	5,042,688	13,260,387	2,652,531	-	20,955,606
<i>Cash-flows</i>	<i>10,432,480</i>	<i>1,366,159</i>	<i>2,465,424</i>	<i>(160,051)</i>	<i>14,104,012</i>
Repayments	(140,507,859)	(33,378,724)	(1,728,402)	(160,051)	(175,775,03)
Proceeds	150,940,339	34,744,883	4,193,826	-	189,879,04
<i>Non-cash</i>	<i>1,775,358</i>	<i>118,018</i>	<i>21,405</i>	<i>160,051</i>	<i>2,074,832</i>
Foreign exchange	(50,522)	(89,222)	(21,405)	-	(161,149)
Accrued interest	1,825,880	207,240	42,810	-	2,075,930
Accrual of dividends	-	-	-	160,051	160,051
As of 31 December 2017	17,250,526	14,744,564	5,139,360	-	37,134,450

## 37 Capital adequacy

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios") and adopted by the Central Bank of Armenia in supervising the Bank.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

The minimum ratio between total capital and risk weighted assets required by the Central Bank of Armenia is 12%.

Regulatory capital consists of Tier 1 capital, which comprises share capital, retained earnings including current year profit, and general reserve. Regulatory capital is calculated in accordance with the requirements of the Central Bank of Armenia and accounting standards of the Republic of Armenia. The other component of regulatory capital is Tier 2 capital, which includes revaluation reserves and subordinated debt.

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of and reflecting an estimate of credit, market and operating risks.

As of 31 December 2017 and 2016 the amount of regulatory capital, risk weighted assets and capital adequacy ratio calculated in accordance with the requirements of Central Bank of Armenia are provided below.

In thousand Armenian drams	Not audited	
	As of 31 December 2017	As of 31 December 2016
Tier 1 capital	28,463,986	26,770,726
Tier 2 capital	2,820,403	257,739
Total regulatory capital	31,284,389	27,028,465
Risk-weighted assets	183,593,833	155,514,758
Capital adequacy ratio	17.04%	17.38%

The Bank has complied with all externally imposed capital requirements through the period.

With the aim to enhance the efficiency of the banking system activity, strengthening the ability to resist the shocks in different economic situations, as well as providing more efficient and available banking services, in 2015 the Board of RA Central Bank decided to establish the minimum size of total capital at 30,000,000 thousand Armenian drams for the banks, as of 1 January 2017 and after that period.

## 38 Analysis by segment

The Bank's operations are highly integrated and constitute a single operating segment for the purposes of IFRS 8 "Operating Segments".

The majority of income from external customers relates to residents of the Republic of Armenia. No single customer exists from which the Bank earned 10% or more of its revenue.

The majority of non-current assets are located in the Republic of Armenia.

## 39 Events after the reporting period

The political situation in the Republic of Armenia is currently unstable due to mass demonstrations of inhabitants against the ruling political party taking place since April 13, 2018. These demonstrations are conducted with public disobedience calls and are accompanied by closing streets, bridges and other infrastructures. The Bank's management anticipates, that these processes have no significant influence on the Bank's activity, and hence, there is no need to adjust the Bank's financial statements for the year ended 31 December 2017 due to this political instability.



# **Financial Statements and Independent Auditor's Report**

## **“Unibank” open joint stock company**

31 December 2018



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# Independent auditor's report

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To the shareholders of "UNIBANK" OPEN JOINT STOCK COMPANY

## *Opinion*

We have audited the financial statements of "UNIBANK" OPEN JOINT STOCK COMPANY (the "Bank"), which comprise the statement of financial position as of 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as of 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

## *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Armenia, and we have fulfilled our other ethical responsibilities in accordance with those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### *- First time adoption of IFRS 9*

Refer to note 4 of the financial statements for a description of the accounting policies and to note 35.1 for an analysis of credit risk.

The International Accounting Standards Board (IASB) issued IFRS 9 – "Financial Instruments" which replaces "IAS 39 – Financial Instruments". The key changes arising from adoption of IFRS 9 are that the Bank's impairment losses are now based on expected losses rather than an incurred loss model, and the change in the classification and measurement of the Bank's financial assets and liabilities, which are detailed in note 4.4 to the financial statements.

As described in the notes to the financial statements, the financial assets have been classified and the impairment losses have been determined in accordance with IFRS 9 Financial Instruments. This was considered a key audit matter as IFRS 9 is a new and complex accounting standard which requires significant judgment to classify the financial assets as well as to determine the impairment reserve.

Key areas of judgment included: the assessment of the business model within which the assets are held, the assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding, the interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the Bank's expected credit loss model, the identification of exposures with a significant deterioration in credit quality, assumptions used in the expected credit loss model such as the financial condition of the counterparty, expected future cash flows and forward looking macroeconomic factors and the need to apply additional overlays to reflect current or future external factors that are not appropriately captured by the expected credit loss model.

With respect to classification and measurement of financial assets and financial liabilities, our audit procedures comprised the following;

- We read the Bank's IFRS 9 based classification and measurement of financial assets and financial liabilities policy and compared it with the requirements of IFRS 9;
- We obtained an understanding and checked the Bank's business model assessment and the test on the contractual cash flows, which give rise to cash flows that are 'solely payments of principal and interest' [SPPI test] performed by the Bank's consultant; and
- We checked the appropriateness of the opening balance adjustments.

With respect to impairment methodology, our audit procedures comprised the following;

- We read the Bank's IFRS 9 based impairment provisioning policy and compared it with the requirements of IFRS 9;
- We assessed the design and tested the operating effectiveness of relevant controls over the data used to determine the impairment reserve, including transactional data captured at loan origination, ongoing internal credit quality assessments, storage of data and interfaces to the expected credit loss model;
- We assessed the design and tested the operating effectiveness of relevant controls over the expected credit loss model, including model build and approval, ongoing monitoring/validation, model governance and mathematical accuracy;
- We checked the appropriateness of the Bank's determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages;
- For a sample of exposures, we checked the appropriateness of the Bank's staging;
- We assessed and tested the material modeling assumptions as well as overlays with a focus on the key modeling assumptions adopted by the Bank and sensitivity of the provisions to changes in modeling assumptions;
- For forward looking assumptions used by the Bank's management in its ECL calculations, we held discussions with management and corroborated the assumptions using publicly available information;
- We examined a sample of exposures and performed procedures to evaluate the timely identification of exposures with a significant deterioration in credit quality and expected loss calculation for exposures assessed on an individual basis;
- We checked the completeness of loans and advances, off balance sheet items, investment securities, placements and other financial assets included in the ECL calculations as of 31 December 2018; We understood the theoretical soundness and tested the mathematical integrity of the Models;
- For data from external sources, we understood the process of choosing such data, its relevance for the Bank, and the controls and governance over such data;
- We involved our IT specialists in areas that required specific expertise (i.e. data reliability and the

expected credit loss model);

- We checked the appropriateness of the opening balance adjustments.

We assessed the accuracy of the disclosures in the financial statements.

### *Other information*

Management is responsible for the other information. The other information comprises the information included in the annual report of the Bank for the year ended 31 December 2018, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a

material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

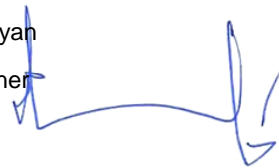
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Armen Hovhannisyan.

Gagik Gyulbudaghyan  
Managing Partner



Armen Hovhannisyan  
Engagement Partner



29 April 2019



# Statement of profit or loss and other comprehensive income

In thousand Armenian drams	Notes	2018	2017
Interest and similar income	7	20,008,220	22,296,742
Interest and similar expense	7	(9,490,160)	(11,805,386)
Net interest income		10,518,060	10,491,356
Fee and commission income	8	2,186,448	897,588
Fee and commission expense	8	(365,896)	(298,538)
Net fee and commission income		1,820,552	599,050
Net trading income	9	824,570	631,274
Other income	10	1,599,371	1,732,594
Credit impairment losses	11	(5,525,293)	(5,974,493)
Staff costs	12	(3,798,717)	(3,480,771)
Depreciation of property and equipment	21	(397,354)	(511,350)
Amortization of intangible assets	22	(98,388)	(88,762)
Other expenses	13	(3,485,842)	(3,148,856)
Profit before income tax		1,456,959	250,042
Income tax expense	14	(525,662)	(182,440)
Profit for the year		931,297	67,602
Other comprehensive income:			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Revaluation losses on equity instruments at fair value through other comprehensive income		(102,335)	N/A
Revaluation of property and equipment		32,831	255,764
Income tax relating to items not reclassified		13,901	(51,153)
Net gains from items that will not be reclassified subsequently to profit or loss		(55,603)	204,611
<i>Items that will be reclassified subsequently to profit or loss</i>			
<i>Movement in fair value reserve (debt instruments)</i>			
Net change in fair value during the year		724,749	N/A
Net amount reclassified to the income statement on sale of debt instruments at FVOCI		(2,080)	N/A
Changes in allowance for expected credit losses		24,176	N/A
Income tax related to the above		(144,534)	N/A
Net gains on financial investments at fair value through other comprehensive income		602,311	N/A

# Statement of profit or loss and other comprehensive income (continued)

In thousand Armenian drams

	Notes	2018	2017
<i>Movement in fair value reserve (available-for-sale)</i>			
Net unrealized gains from changes in fair value from available-for-sale financial assets		N/A	507,685
Income tax related to the above		N/A	(101,537)
Net gains on available-for-sale financial assets		N/A	406,148
Other comprehensive income for the year, net of tax		546,708	610,759
Total comprehensive income for the year		1,478,005	678,361
Earnings per share	15	0.00268	(0.00045)

The statement of profit or loss and other comprehensive is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 14 to 80.



# Statement of financial position

In thousand Armenian drams

	Notes	31 December 2018	31 December 2017
<b>Assets</b>			
Cash and cash equivalents	16	32,049,007	31,843,954
Derivative financial assets	17	785	3,086
Amounts due from financial institutions	18	12,983,447	995,550
Loans and advances to customers	19	134,279,082	135,127,892
Investment securities	20		
- Investments available for sale		N/A	13,592,031
-Investment securities at fair value through other comprehensive income		3,817,080	N/A
-Investment securities at amortised cost		12,822,788	N/A
Securities pledged under repurchase agreements		-	7,877,164
Property, plant and equipment	21	8,549,052	8,193,410
Intangible assets	22	1,629,345	1,420,274
Prepaid income taxes		-	113,435
Other assets	23	3,669,102	3,554,675
<b>Total assets</b>		<b>209,799,688</b>	<b>202,721,471</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Amounts due to financial institutions	24	9,039,951	17,250,526
Amounts due to customers	25	151,452,004	128,427,923
Derivative financial liabilities	17	12,813	9,993
Borrowings	26	6,636,888	14,744,564
Debt securities issued	27	8,576,459	5,139,360
Income tax liability		60,492	-
Deferred income tax liabilities	14	526,588	1,131,722
Other liabilities	28	946,049	656,030
<b>Total liabilities</b>		<b>177,251,244</b>	<b>167,360,118</b>
<b>Equity</b>			
Share capital	29	20,489,653	20,489,653
Share premium		9,605,638	9,605,638
Statutory general reserve		448,298	426,482
Other reserves		1,239,518	1,493,358
Retained earnings		765,337	3,346,222
<b>Total equity</b>		<b>32,548,444</b>	<b>35,361,353</b>
<b>Total liabilities and equity</b>		<b>209,799,688</b>	<b>202,721,471</b>

The financial statements were signed on 29 April 2019 by:

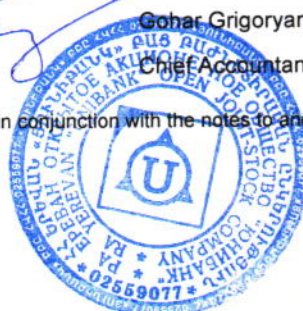
Hakobyan Mesrop

Chairman of the Executive Board

Gohar Grigoryan

Chief Accountant

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 14 to 80.



# Statement of changes in equity

In thousand Armenian  
drams

	Share capital	Share premium	Statutory general reserve	Fair value reserve	Revaluation reserve of property and equipment	Retained earnings	Total
Balance As of 31 December 2017	20,489,653	9,605,638	426,482	24,275	1,469,083	3,346,222	35,361,353
Impact of adopting IFRS 9 (note 6)	-	-	-	(800,548)	-	(3,108,053)	(3,908,601)
Restated balance at 1 January 2018	20,489,653	9,605,638	426,482	(776,273)	1,469,083	238,169	31,452,752
Profit for the year	-	-	-	-	-	931,297	931,297
Other comprehensive income:							
Net change in fair value of equity instruments at FVOCI	-	-	-	(102,335)	-	-	(102,335)
Revaluation of property and equipment	-	-	-	-	32,831	-	32,831
Net change in fair value of debt instrument at FVOCI	-	-	-	724,749	-	-	724,749
Net amount reclassified to the statement of profit and loss on sale of debt instruments at FVOCI	-	-	-	(2,080)	-	-	(2,080)
Net changes in allowance for expected credit losses of debt instruments at FVOCI	-	-	-	24,176	-	-	24,176
Income tax relating to components of other comprehensive income	-	-	-	(124,067)	(6,566)	-	(130,633)
Total comprehensive income for the year	-	-	-	520,443	26,265	931,297	1,478,005
Distribution to reserve	-	-	21,816	-	-	(21,816)	-
Dividends to shareholders	-	-	-	-	-	(382,313)	(382,313)
Total transactions with owners	-	-	21,816	-	-	(404,129)	(382,313)
Balance as of 31 December 2018	20,489,653	9,605,638	448,298	(255,830)	1,495,348	765,337	32,548,444

# Statement of changes in equity (continued)

In thousand Armenian  
drams

	Share capital	Share premium	Statutory general reserve	Fair value reserve	Revaluation reserve of property and equipment	Retained earnings	Total
Balance as of 1 January 2017	19,093,378	7,790,481	426,482	(381,873)	1,297,921	6,616,654	34,843,043
Profit for the year	-	-	-	-	-	67,602	67,602
Other comprehensive income:							
Revaluation of property and equipment	-	-	-	-	255,764	-	255,764
Adjustment to reserve from the sale of property and equipment	-	-	-	-	(33,449)	33,449	-
Net unrealized gains from changes in fair value	-	-	-	507,685	-	-	507,685
Income tax relating to components of other comprehensive income	-	-	-	(101,537)	(51,153)	-	(152,690)
Total comprehensive income for the year	-	-	-	406,148	171,162	101,051	678,361
Increase in share capital	1,396,275	1,815,157	-	-	-	(3,211,432)	-
Dividends to shareholders	-	-	-	-	-	(160,051)	(160,051)
Total transactions with owners	1,396,275	1,815,157	-	-	-	(3,371,483)	(160,051)
Balance As of 31 December 2017	20,489,653	9,605,638	426,482	24,275	1,469,083	3,346,222	35,361,353

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 14 to 80.

# Statement of cash flows

In thousand Armenian drams

	2018	2017
<i>Cash flows from operating activities</i>		
Profit before tax	1,456,959	250,042
<i>Adjustments for</i>		
Impairment charge of financial assets	5,525,293	5,974,493
Gains from reversal of impairment and sale of repossessed	(19,891)	(58,295)
Impairment of property and equipment	-	7
Amortization and depreciation allowances	495,742	600,112
Loss from sale of property and equipment	13,193	2,938
Gains from sale of other assets	(72,915)	-
Interest receivable	92,119	726,148
Interest payable	(33,396)	(369,819)
Revaluation of derivative financial instruments	417,107	(29,751)
Foreign currency translation net (gain)/loss of non-trading assets and liabilities	(507,545)	428,837
Cash flows from operating activities before changes in operating assets and liabilities	7,366,666	7,524,712
<i>(Increase)/decrease in operating assets</i>		
Amounts due from financial institutions	(12,137,901)	2,294,537
Derivative financial instruments	(396,585)	112,087
Loans and advances to customers	(10,076,481)	(24,857,814)
Other assets	1,010,794	4,681,142
<i>Increase/(decrease) in operating liabilities</i>		
Amounts due to financial institutions	1,110,502	1,720,527
Amounts due to customers	25,141,193	(293,153)
Other liabilities	26,462	17,143
Net cash flow from/(used in) operating activities before income tax	12,044,650	(8,800,819)
Income tax	(110,352)	(32,425)
Net cash from/(used in) operating activities	11,934,298	(8,833,244)
<i>Cash flows from investing activities</i>		
(Purchase)/sale of investment securities	4,342,926	(6,752,977)
Purchase of property and equipment	(755,300)	(968,266)
Proceeds from sale of property and equipment	21,942	168,038
Purchase of intangible assets	(307,459)	(128,935)
Net cash from/(used in) investing activities	3,302,109	(7,682,140)

# Statement of cash flows (continued)

In thousand Armenian drams

	2018	2017
<i>Cash flow from financing activities</i>		
Dividends paid	(160,050)	(160,051)
Loans received/(repaid) to financial institutions	(9,303,169)	10,432,480
Issue of bonds	3,446,491	2,465,424
Other long-term loans and advances received	(8,066,728)	1,366,159
Net cash from/(used in) financing activities	(14,083,456)	14,104,012
<i>Net increase/(decrease) in cash and cash equivalents</i>	<u>1,152,951</u>	<u>(2,411,372)</u>
Cash and cash equivalents at the beginning of the year	31,843,954	33,547,636
ECL	(35,785)	-
Exchange differences on cash and cash equivalents	(912,113)	707,690
Cash and cash equivalents at the end of the year (note 16)	<u>32,049,007</u>	<u>31,843,954</u>
Supplementary information:		
Interest received	20,100,339	23,022,890
Interest paid	(9,523,556)	(12,175,205)

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 14 to 80.

# Notes to the financial statements

## 1 Principal activities

"Unibank" CJSC (the "Bank") is a closed joint-stock bank, which was incorporated in the Republic of Armenia on 9 October 2001. The Bank is regulated by the legislation of RA and conducts its business under license number N81, granted on 10 October 2001, by the Central Bank of Armenia (the "CBA").

On 23 June 2015 according to the Bank's license registered under number 0373, "UNIBANK" CJSC was reorganized to "UNIBANK" OJSC issuing 14,500,000 shares.

The Bank is a member of Individuals deposit compensation guarantee state system of RA, as well as member of Union of Banks of Armenia, ArCa, MasterCard, Visa International payment systems.

The Bank accepts deposits from the public and extends credit, transfers payments in Armenia and abroad, exchanges currencies and provides other banking services to its commercial and retail customers.

Its main office is in Yerevan and it has 45 branches and one representative office in Moscow, the Russian Federation. The registered office of the Bank is located at: 12/53 Charents street, #1-5, Yerevan.

On March 14, 2017, the international rating agency Moody's Investors Service has revised and raised the rating of "Unibank" by setting B2 for long-term deposits in AMD and foreign currency. Baseline credit assessment (BCA) / is defined b3, and long-term Counterparty Risk Assessment (CR Assessment/ B2(cr) level. Forecasting is stable.

On June 29 2018 the international rating agency Moody's Investors Service approved the Bank's deposit attraction B3/NP rating, b3 base credit rating, B2(cr)/NP(cr) counterparty risk rating. Forecasting is stable.

## 2 Armenian business environment

Armenia continues to undergo political and economic changes. The stability and development of the Armenian economy largely depends on these changes, as well as developments in the Eurasian Economic Union with which the integration of the Armenian economy continues.

Management of the Bank believes that in the current conditions appropriate measures are implemented in order to ensure economic stability of the Bank.

## 3 Basis of preparation

### 3.1 Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards ("IFRS") as developed and published by the International Accounting Standards Board (IASB), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The Bank prepares statements for regulatory purposes in accordance with legislative requirements of the Republic of Armenia. These financial statements are based on the Bank's books and records as adjusted and reclassified in order to comply with IFRS.

### 3.2 Basis of measurement

The financial statements have been prepared on a fair value basis for financial instruments at fair value through profit or loss and at fair value through other comprehensive income (before 1 January 2018 available for sale assets). Other financial assets and liabilities are stated at amortized cost and non-financial assets and liabilities are stated at historical cost, with the exception of land, buildings and the computer and communication technologies which are stated at revalued amount.

### 3.3 Functional and presentation currency

Functional currency of the Bank is the currency of the primary economic environment in which the Bank operates. The Bank's functional currency and the Bank's presentation currency is Armenian Dram ("AMD"), since this currency best reflects the economic substance of the underlying events and transactions of the Bank. The financial statements are presented in thousands of AMD, unless otherwise stated, which is not convertible outside Armenia.

### 3.4 Changes in accounting policies

The Bank applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

#### ***IFRS 9 Financial Instruments***

IFRS 9 replaces IAS 39 for annual periods on or after 1 January 2018. The Bank has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as of 1 January 2018 and are disclosed in note 6.

#### ***Changes to classification and measurement***

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity and amortised cost) have been replaced by:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Financial assets FVPL

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements are presented in OCI with no subsequent reclassification to the income statement.

The Bank's classification of its financial assets and liabilities is explained in note 4.4.2. The quantitative impact of applying IFRS 9 as at 1 January 2018 is disclosed in note 6.

#### ***Changes to the impairment calculation***

The adoption of IFRS 9 has fundamentally changed the Bank's accounting for loan loss impairments by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Bank to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. Under IFRS 9, no impairment loss is recognised on equity investments. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

Details of the Bank's impairment assessment are disclosed in note 35.1.2. The quantitative impact of applying IFRS 9 as at 1 January 2018 is disclosed in note 6.

#### ***IFRS 7***

To reflect the differences between IFRS 9 and IAS 39, IFRS 7 Financial Instruments: Disclosures was updated



and the Bank has adopted it, together with IFRS 9, for the year beginning 1 January 2018. Changes include transition disclosures as shown in note 6, detailed qualitative and quantitative information about the ECL calculations such as the assumptions and inputs used are set out in note 35.1.2.

Other new standards and amendments described below and applied for the first time in 2018, did not have a material impact on the annual consolidated financial statements of the Bank.

- *"Revenue from contracts with customers" (IFRS 15) and "Revenue from contracts with customer", Clarifications (Amendment to IFRS 15)*
- *"Share based payments" classification and measurement of share-based payment transactions (Amendment to IFRS 2)*
- *Annual Improvements to IFRSs 2014-2017 Cycle – Amendments to IFRS 1 and IAS 28*
- *Amendments to IAS 40 Investment Property: Transfers of Investment Property*
- *IFRIC 22 Foreign Currency Transactions and Advance Consideration.*

### 3.5 Standards and interpretations not yet applied by the Bank

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to the existing Standards have been published but are not yet effective. The Bank has not early adopted any of these pronouncements.

Management anticipates that all of the pronouncements will be adopted in the Bank's accounting policy for the first period beginning after the effective date of the pronouncement.

Management does not anticipate a material impact on the Bank's financial statements from these amendments, they are presented below.

#### **IFRS 16 Leases**

IFRS 16 will replace IAS 17 "Leases" and three related Interpretations. It completes the IASB's long running project to overhaul lease accounting. Leases will be recorded in the statement of financial position in the form of a right-of-use asset and a lease liability. There are two important reliefs provided by IFRS 16 for assets of low value and short-term leases of less than 12 months.

IFRS 16 is effective from periods beginning on or after 1 January 2019. Early adoption is permitted; however, the Bank have decided not to early adopt.

Management is in the process of assessing the full impact of the Standard. So far, the Bank:

- has decided to make use of the practical expedient not to perform a full review of existing leases and apply IFRS 16 only to new or modified contracts. As some leases will be modified or renewed in 2019, the Bank has reassessed these leases and concluded they will be recognised on the statement of financial position as a right-of-use asset
- believes that the most significant impact will be that the Bank will need to recognise a right of use asset and a lease liability for the office buildings currently treated as operating leases.
- concludes that there will not be a significant impact to the finance leases currently held on the statement of financial position

The Bank is planning to adopt IFRS 16 on 1 January 2019 using the Standard's modified retrospective approach. Under this approach the cumulative effect of initially applying IFRS 16 is recognised as an adjustment to equity at the date of initial application. Comparative information is not restated.

Choosing this transition approach results in further policy decisions the Bank need to make as there are several other transitional reliefs that can be applied. These relate to those leases previously held as operating leases and can be applied on a lease-by-lease basis. The Bank are currently assessing the impact of applying these other transitional reliefs.

IFRS 16 has not made any significant changes to the accounting for lessors, and therefore the Bank does not expect any changes for leases where they are acting as a lessor.



## **Other standards**

- IFRIC 23 Uncertainty over Income Tax Treatments (effective from 1 January 2019),
- Amendment to IFRS 9 "Financial instruments"-Prepayment features with negative compensation (effective from 1 January 2019),
- Amendment to IAS 28, "Investments in associates" Long term interests in associates and joint ventures (effective from 1 January 2019),
- Amendment to IAS 19 "Employee benefits" – Plan amendment, curtailment or settlement (effective from 1 January 2019),
- Annual Improvements to IFRSs 2015-2017 (effective from 1 January 2019).

## **4 Summary of significant accounting policies**

The following significant accounting policies have been applied in the preparation of the financial statements. The accounting policies have been consistently applied.

### **4.1 Recognition of income and expenses**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Expense is recognized to the extent that it is probable that the economic benefits will flow from the Bank and the expense can be reliably measured. The following specific criteria must also be met before revenue is recognized:

#### *The effective interest rate method*

Under both IFRS 9 and IAS 39, interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost, financial instruments designated at FVPL. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9, similarly to interest bearing financial assets classified as available-for-sale or held to maturity under IAS 39 are also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through interest and similar income in the income statement.

#### *Calculation of interest income and expense*

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see note 4.4.6.

### *Fee and commission income*

Loan origination fees for loans issued to customers are deferred (together with related direct costs) and recognised as an adjustment to the effective yield of the loans. Fees, commissions and other income and expense items are generally recorded on an accrual basis when the service has been provided. Portfolio and other management advisory and service fees are recorded based on the applicable service contracts. Asset management fees related to investment funds are recorded over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

### *Dividend income*

Revenue is recognized when the Bank's right to receive the payment is established.

### *Net trading income*

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realized and unrealized fair value changes, interest, dividends and foreign exchange differences related to trading assets and liabilities. Net trading income also includes gains less losses from trading in foreign currencies and is recognized in profit or loss when the corresponding service is provided.

## 4.2 Foreign currency

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transactions. Gains and losses resulting from the translation of trading assets are recognised in the statement of profit or loss and other comprehensive income in net trading income, while gains less losses resulting from translation of non-trading assets are recognized in the statement of income in other income or other expense. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date.

Changes in the fair value of monetary securities denominated in foreign currency classified as investment securities at fair value through other comprehensive income (as available for sale before 01 January 2018) are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in the own equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as the dates of the initial transactions (applicable for the financial statements as of 31 December 2017). Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as equity investment in respect of which an election has been made to present subsequent changes in fair value in OCI (available-for-sale equity instruments before 1 January 2018) are included in the fair value reserve in equity.

Differences between the contractual exchange rate of a certain transaction and the prevailing average exchange rate on the date of the transaction are included in gains less losses from trading in foreign currencies in net trading income.

The exchange rates at year-end used by the Bank in the preparation of the financial statements are as follows:

	<u>31 December 2018</u>	<u>31 December 2017</u>
AMD/1 US Dollar	483.75	484.10
AMD/1 EUR	553.65	580.10
AMD/1 RUB	6.97	8.40

## 4.3 Taxation

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognized in the statement of profit or loss and other comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. In the case when financial statements are authorized for issue before appropriate tax returns are submitted, taxable profits or losses are based on estimates. Tax authorities might have more stringent position in interpreting tax legislation and in reviewing tax calculations. As a result tax authorities might claim additional taxes for those transactions, for which they did not claim previously. As a result significant additional taxes, fines and penalties could arise. Tax review can include 3 calendar years immediately preceding the year of a review. In certain circumstances tax review can include even more periods.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The Republic of Armenia also has various operating taxes, which are assessed on the Bank's activities. These taxes are included as a component of other expenses in the statement of profit or loss and other comprehensive income.

## 4.4 Financial instruments

### 4.4.1 Recognition and initial measurement

The Bank initially recognises loans and advances, deposits, debt securities issued on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which The Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

### 4.4.2 Classification

#### ***Financial assets – Policy applicable from 1 January 2018***

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

### *Business model assessment*

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

### *Assessment whether contractual cash flows are solely payments of principal and interest (The SPPI test)*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

### *Reclassifications*

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets. Financial liabilities are never reclassified.

## ***Financial assets – Policy applicable before 1 January 2018***

The Bank classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available-for-sale; and
- at FVTPL, and within this category as:
  - held for trading; or
  - designated as at FVTPL.

### ***Financial liabilities***

The Bank classifies its financial liabilities as measured at amortised cost or FVTPL.

## **4.4.3 Derecognition**

### ***Financial assets***

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire (see also note 4.4.4), or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

From 1 January 2018 any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and repurchase transactions, because the Bank retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

### ***Financial liabilities***

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

#### 4.4.4 Modifications of financial assets and financial liabilities

##### *Financial assets*

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised (see note 4.4.3) and a new financial asset is recognised at fair value.

##### ***Policy applicable from 1 January 2018***

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower (see note 4.4.6), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

##### ***Policy applicable before 1 January 2018***

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognised, then impairment of the asset was measured using the pre-modification interest rate.

##### *Financial liabilities*

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

#### 4.4.5 Offsetting

Financial assets and liabilities, and income and expenses, are offset and the net amount reported in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

#### 4.4.6 Impairment

##### ***Policy applicable from 1 January 2018***

The Bank assesses on a forward-looking basis the expected credit losses ('ECL') on the following financial instruments that are not measured at FVTPL:

- financial assets measured at amortised cost
- financial assets measured at fair value through other comprehensive income
- lease receivables
- loan commitments
- financial guarantee contracts

No impairment loss is recognised on equity investments.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Bank considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

12-month ECL (12mECLs) are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Lifetime expected credit losses (LTECLs) are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

### *Measurement of ECL*

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in note 35.1.2.

Based on the above process, the Bank groups its financial instruments into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired. The Bank records an allowance for the LTECLs.
- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- PD (the Probability of Default) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD (the Exposure at Default) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD (the Loss Given Default) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The PD, the EAD and the LGD are further explained in note 35.1.2.

### *Restructured financial assets*

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised (see note 4.4.4) and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset



that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

### *Credit-impaired financial assets*

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.

### *Presentation of allowances for ECL in the statement of financial position*

Allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.
- loan commitments and financial guarantee contracts: generally, as a provision;
  - When estimating LTECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.
  - where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision;
  - The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs the shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The ECLs related to financial guarantee contracts are recognised within provisions.

### *Write-offs*

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Bank determines that the borrower does not have assets or



sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

### ***Policy applicable before 1 January 2018***

#### ***Assets carried at amortized cost***

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ("loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Criteria used to determine that there is objective evidence of an impairment loss may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty (for example, equity ratio, net income percentage of sales), default or delinquency in interest or principal payments, breach of loan covenants or conditions, deterioration in the value of collateral, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through use of an allowance account. The amount of the loss shall be recognised in the statement of profit or loss and other comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Bank and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the

impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If future write-off is later recovered, the recovery is credited to the allowance account.

Impairment allowances of financial assets have been identified in the financial statements on the basis of existing economic conditions. Bank is not able to predict how conditions may change in Armenia, and what impact these changes may have on the adequacy of the impairment allowance of financial assets in future periods.

### *Renegotiated loans*

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

### *Available-for-sale financial assets*

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of income, is transferred from equity to the statement of income. Reversals of impairment in respect of equity instruments classified as available-for-sale are not recognised in the statement of income but accounted for in other comprehensive income in a separate component of equity. Reversals of impairment losses on debt instruments are reversed through the statement of profit or loss and other comprehensive income if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

## 4.5 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, balances on correspondent accounts with the Central Bank of Armenia (excluding those funds deposited for the settlement of ArCa payment cards), and amounts due from other banks.

Cash and cash equivalents are carried at amortised cost.

## 4.6 Amounts due from other financial institutions

In the normal course of business, the Bank maintains advances or deposits for various periods of time with other banks. Loans and advances to banks with a fixed maturity term are subsequently measured at amortized cost using the effective interest method. Those that do not have fixed maturities are carried at amortized cost based on maturities estimated by management. Amounts due from other financial institutions are carried net of any allowance for impairment losses.

## 4.7 Trading assets and liabilities

"Trading assets and liabilities" are those assets and liabilities that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking. Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position, with transaction costs recognised in profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss.

In the normal course of business, the Bank enters into various derivative financial instruments including futures, forwards, swaps and options in the foreign exchange and capital markets. Such financial instruments are held for trading and are initially recognised in accordance with the policy for initial recognition of financial instruments and are subsequently measured at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative.

## 4.8 Loans and advances

Loans and advances are financial assets with fixed or determinable payments, which arise when the Bank provides money directly to a debtor with no intention of trading the receivable.

Loans granted by the Bank with fixed maturities are initially recognized at fair value plus related transaction costs. Where the fair value of consideration given does not equal the fair value of the loan, for example where the loan is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is recognized as a loss on initial recognition of the loan and included in the statement of profit or loss and other comprehensive income as losses on origination of assets. Subsequently, the loan carrying value is measured using the effective interest method. Loans to customers that do not have fixed maturities are accounted for under the effective interest method based on expected maturity. Loans to customers are carried net of any allowance for impairment losses.

## 4.9 Investment securities

### ***Policy applicable from 1 January 2018***

The 'investment securities' caption in the statement of financial position includes:

- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt and equity investment securities mandatorily measured at FVTPL or designated as at FVTPL; these are at fair value with changes recognised immediately in profit or loss;
- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The Bank elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

### ***Policy applicable before 1 January 2018***

Investment securities were initially measured at fair value plus, in the case of investment securities not at FVTPL, incremental direct transaction costs, and subsequently accounted for depending on their classification as either held-to-maturity, FVTPL or available-for-sale.

#### ***Held-to-maturity investments***

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. Were the Bank to sell other than insignificant amount of held-to-maturity assets not close to their maturity, the entire category would be reclassified as available-for-sale. Held-to-maturity investments are carried at amortized cost using the effective interest rate method, less any allowance for impairment.

### *Available-for-sale financial assets*

Assets available for sale represent debt and equity assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognised as a separate component of other comprehensive income until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the statement of profit or loss and other comprehensive income. However, interest calculated using the effective interest method is recognised in the statement of profit or loss and other comprehensive income. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Bank's right to receive payment is established.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same and discounted cash flow analysis. Otherwise the investments are stated at cost less any allowance for impairment.

### *Fair value through profit or loss*

The Bank designates some investment securities as at fair value, with fair value changes recognised immediately in profit or loss.

## 4.10 Repurchase and reverse repurchase agreements

Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the statement of financial position and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements and faced as the separate balance sheet item. The corresponding liability is presented within amounts due to financial institutions or customers.

Securities purchased under agreements to resell ("reverse repo") are recorded as amounts due from other financial institutions or loans and advances to customers as appropriate and are not recognized in the statement of financial position. The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective yield method.

If assets purchased under an agreement to resell are sold to third parties, the obligation to return the securities is recorded as a trading liability and measured at fair value.

## 4.11 Securities lending and borrowing

Securities lending and borrowing transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected in the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognized in the statement of financial position, unless they are sold to third parties, in which case the obligation to return the securities is recorded as a trading liability and measured at fair value with any gains or losses included in "Net trading income".

## 4.12 Leases

### *Operating - Bank as lessee*

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term and included in other operating expenses.

### 4.13 Precious metals

Gold and other precious metals are recorded at CBA prices which approximate fair values and are quoted according to London Bullion Market rates. Precious metals are included in other assets in the statement of financial position.

Changes in the bid prices are recorded in net gain/loss on operations with precious metals in other income/expense.

### 4.14 Property and equipment

Property and equipment are recorded at historical cost less accumulated depreciation. Bank's buildings and land and the computer and communication technologies are presented at fair value less accumulated depreciation. If the recoverable value of property and equipment is lower than its carrying amount, due to circumstances not considered to be temporary, the respective asset is written down to its recoverable value. Land is carried at historical cost. It has unlimited useful life and thus is not depreciated.

Depreciation is calculated using the straight-line method based on the estimated useful life of the asset. The following depreciation rates have been applied:

	Useful life (years)	Rate (%)
Buildings	80	1.25
Computers	5	20
Communication	5	20
Vehicles	7	14.3
ATM	10	10
Other fixed assets	5	20

Leasehold improvements are capitalized and depreciated over the shorter of the lease term and their useful lives on a straight-line basis. Assets under the course of construction are accounted based on actual expenditures less any impairment losses.

Repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is incurred and when it satisfies the criteria for asset recognition. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

Land and buildings and the computer and communication technologies are revalued on a regular basis approximately after 3-5 years. The frequency of revaluation depends on changes in fair value of assets. In case of significant divergences between fair value of revalued assets and their carrying amounts further revaluation is conducted. Revaluation is conducted for the whole class of property, plant and equipment

Any revaluation surplus is credited to the revaluation reserve for property and equipment included in the revaluation reserve for property and equipment in equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of income, in which case the increase is recognised in the statement of income. A revaluation deficit is recognised in the statement of income, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the revaluation reserve for property and equipment.

When revalued assets are sold, the amounts attributed to disposed item of assets and included in the revaluation reserve are transferred to retained earnings.

### 4.15 Intangible assets

Intangible assets include computer software, licences and other.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the useful economic lives. The estimated useful life of computer software and licences is 10 years. Amortisation periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end.

Computer software development costs are recognized as an expense as incurred.

## 4.16 Repossessed assets

The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Bank's policy.

In certain circumstances, assets are repossessed following the foreclosure on loans that are in default. Repossessed assets are measured at the lower of cost and fair value less costs to sell.

## 4.17 Borrowings

Borrowings, which include amounts due to the Central Bank and Government, amounts due to financial institutions, amounts due to customers, debt securities issued and subordinated debt are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the amortisation process.

## 4.18 Financial guarantees and loan commitments

"Financial guarantees" are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. "Loan commitments" are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortised over the life of the guarantee or the commitment. Subsequently, they are measured as follows:

- from 1 January 2018: at the higher of this amortised amount and the amount of loss allowance; and
- before 1 January 2018: at the higher of this amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable.

Liabilities arising from financial guarantees and loan commitments are included within provisions.

## 4.19 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. Provisions also include liabilities arising from financial guarantees and loan commitments as provided in note 4.18.

## 4.20 Equity

### *Share capital*

Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are

shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

### *Share premium*

Share premium includes any premium received from the issue of shares. Any expense in respect of transaction which is related to the issue of shares is reduced from the share premium.

### *Retained earnings*

Include retained earnings of current and previous periods.

### *Dividends*

Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the financial statements are authorised for issue.

### *Property revaluation surplus*

The property revaluation surplus is used to record increases in the fair value of buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

### *Fair value reserve for investments securities at FVOCI*

This reserve records fair value changes in investment securities at fair value through other comprehensive income.

## 4.21 Segment reporting

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Bank's other components. In identifying its operating segments, management generally distinguishes components of the Bank that is engaged in providing products or services (business segment) and for which discrete financial information is available. All operating segments' operating results are reviewed regularly by the Bank's CEO to make decisions about resources to be allocated to the segment and assess its performance. Geographical segments of the Bank have been reported separately within these financial statements based on the ultimate domicile of the counterparty, e.g. based on economic risk rather than legal risk of the counterparty.

## 5 Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

The most significant areas of judgements and estimates with regards to these financial statements are presented below:

### *Business models and SPPI*

The Bank assesses of the business model within which the assets are held and assesses of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding (see note 4.4.2).



### *Measurement of fair values*

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see note 32).

### *Useful life of property and equipment*

Useful life evaluation of property and equipment is the result of judgement, based on the experience with similar assets. Future economic benefits are embodied in assets and mainly consumed along with usage. However, such factors as operational, technical or commercial depreciation often lead to decrease of asset's economic benefit. Management evaluates the remaining useful life according to the asset's current technical condition and estimated period, during which the Bank expects to receive benefits. For the evaluation of remaining useful life are considered the following main factors: expectable usage of assets, depending on the operational factors and maintenance program, that is depreciation and technical and commercial depreciation arising from the changes in the market conditions.

### *Related party transactions*

In the normal course of business, the Bank enters into transactions with its related parties. These transactions are priced predominantly at market rates. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis (refer to note 31).

### *Impairment of financial instruments*

The Bank assesses whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL (see note 35.1.2), as well as the key assumptions used in estimating recoverable cash flows (see note 4.4.6).

### *Tax legislation*

Armenian tax legislation is subject to varying interpretations. See note 30.

## **6 Transition disclosure**

The following set out the impact of adopting IFRS 9 on the statement of financial position, and retained earnings including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's ECLs.



The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Bank's financial assets and financial liabilities as at 1 January 2018.

In thousand Armenian drams				
	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
<i>Financial assets</i>				
Cash and cash equivalents	Loans and receivables	Amortised cost	31,843,954	31,837,387
Derivative financial assets	FVTPL	FVTPL (mandatory)	3,086	3,086
Amounts due from financial institutions	Loans and receivables	Amortised cost	995,550	991,975
Loans and advances to customers	Loans and receivables	Amortised cost	135,127,892	131,289,254
Investment securities – debt	Available for sale	FVOCI	21,447,735	8,991,228
Investment securities – debt	Available for sale	Amortised cost	-	11,439,853
Investment securities - equity	Available for sale	FVOCI	21,460	21,460
Other financial assets	Loans and receivables	Amortised cost	196,951	194,803
Total financial assets			189,636,628	184,769,046
<i>Financial liabilities</i>				
Amounts due to financial institutions	Amortised cost	Amortised cost	17,250,526	17,250,526
Amounts due to customers	Amortised cost	Amortised cost	128,427,923	128,427,923
Derivative financial liabilities	FVTPL	FVTPL	9,993	9,993
Borrowings	Amortised cost	Amortised cost	14,744,564	14,744,564
Debt securities issued	Amortised cost	Amortised cost	5,139,360	5,139,360
Other liabilities	Amortised cost	Amortised cost	400,375	400,375
Total financial liabilities			165,972,741	165,972,741

A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 1 January 2018 is, as follows.

In thousand Armenian drams	IAS 39 carrying amount 31 December 2017	Reclassifi- cation	Remeasure- ment /ECL/	Remeasure- ment /Other/	IFRS 9 carrying amount 1 January 2018
<i>Financial assets</i>					
<i>Amortised cost</i>					
<i>Cash and cash equivalents</i>					
Opening balance	31,843,954				
Remeasurement			(6,567)		
Closing balance					31,837,387
<i>Amounts due from financial institutions</i>					
Opening balance	995,550				
Remeasurement			(3,575)		
Closing balance					991,975

In thousand Armenian drams	IAS 39 carrying amount 31 December 2017	Reclassifi- cation	Remeasure- ment /ECL/	Remeasure- ment /Other/	IFRS 9 carrying amount 1 January 2018
<i>Loans and advances to customers</i>					
Opening balance	135,127,892				
Remeasurement			(3,838,638)		
Closing balance					131,289,254
<i>Investment securities – debt</i>					
Opening balance	-				
From available-for-sale		12,456,507	(13,546)	(1,003,108)	
Closing balance					11,439,853
<i>Other assets- other financial assets</i>					
Opening balance	196,951				
Remeasurement			(2,148)		
Closing balance					194,803
Total amortised cost	168,164,347	12,456,507	(3,864,474)	(1,003,108)	175,753,272
<i>Available-for-sale</i>					
<i>Investment securities</i>					
Opening balance	21,469,195				
To FVOCI – Equity		(21,460)		N/A	
To amortised cost		(12,456,507)		N/A	
To FVOCI – Debt		(8,991,228)		N/A	
Closing balance					N/A
<i>FVOCI-debt</i>					
<i>Investment securities</i>					
Opening balance	-				
From available-for-sale		8,991,228			
Closing balance					8,991,228
<i>FVOCI-equity</i>					
<i>Investment securities</i>					
Opening balance	N/A				
From available-for-sale		21,460	N/A		
Closing balance					21,460
Total FVOCI	21,469,195	(12,456,507)	-	-	9,012,688
<i>FVTPL</i>					
<i>Financial derivatives</i>	3,086	N/A	N/A	N/A	3,086
Total FVTPL	3,086	N/A	N/A	N/A	3,086

In thousand Armenian drams	IAS 39 carrying amount 31 December 2017	Reclassifi- cation	Remeasure- ment /ECL/	Remeasure- ment /Other/	IFRS 9 carrying amount 1 January 2018
<i>Financial liabilities</i>					
<i>Amortised cost</i>					
<i>Amounts due to financial institutions</i>	17,250,526	N/A	N/A	N/A	17,250,526
<i>Amounts due to customers</i>	128,427,923	N/A	N/A	N/A	128,427,923
<i>Borrowings</i>	14,744,564				14,744,564
<i>Debt securities issued</i>	5,139,360	N/A	N/A	N/A	5,139,360
<i>Other liabilities</i>	400,375	N/A	N/A	N/A	400,375
Total amortised cost	<u>165,962,748</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>165,962,748</u>
<i>FVTPL</i>					
<i>Derivative financial liabilities</i>	9,993	N/A	N/A	N/A	9,993
Total FVTPL	<u>9,993</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>9,993</u>

The impact of transition to IFRS 9 on reserves and retained earnings is, as follows.

In thousand Armenian drams	Reserves and retained earnings
<i>Fair value reserve</i>	
Closing balance under IAS 39 (31 December 2017)	24,275
Reclassification of debt securities from available-for-sale to amortised cost	(1,003,108)
Recognition of expected credit losses under IFRS 9 for debt financial assets at FVOCI	1,938
Deferred tax in relation to the above	200,622
Opening balance under IFRS 9 (1 January 2018)	<u>(776,273)</u>
<i>Retained earnings</i>	
Closing balance under IAS 39 (31 December 2017)	3,346,222
Recognition of IFRS 9 ECLs including those measured at FVOCI (see below)	(3,884,582)
Deferred tax in relation to the above	776,529
Opening balance under IFRS 9 (1 January 2018)	<u>238,169</u>
Total change in equity due to adopting IFRS 9	<u>3,908,601</u>

The following table reconciles:

- the closing impairment allowance for financial assets in accordance with IAS 39 and provisions for loan commitments and financial guarantee contracts in accordance with IAS 37 as at 31 December 2017; to
- the opening ECL allowance determined in accordance with IFRS 9 as at 1 January 2018.

In thousand Armenian drams	Loan loss provision under IAS 39/IAS 37 at 31 December 2017	Remeasurement	ECLs under IFRS 9 at 1 January 2018
<i>Impairment allowance for</i>			
Cash and cash equivalents	-	(6,567)	(6,567)
Amounts due from financial institutions	-	(3,575)	(3,575)
Loans and advances to customers	(5,756,884)	(3,838,638)	(9,595,522)
Available-for-sale debt investment securities per IAS 39/Debt instruments at amortised cost under IFRS 9:	-	(13,546)	(13,546)
Available-for-sale debt investment securities per IAS 39/debt financial assets at FVOCI under IFRS 9	-	(1,938)	(1,938)
Other financial assets	(12,707)	(2,148)	(14,855)
	<u>(5,769,591)</u>	<u>(3,866,412)</u>	<u>(9,636,003)</u>
Loan commitments and financial guarantee contracts issued	-	(18,170)	(18,170)
	<u>-</u>	<u>(18,170)</u>	<u>(18,170)</u>
Total impairment allowance	<u>(5,769,591)</u>	<u>(3,884,582)</u>	<u>(9,654,173)</u>

## 7 Interest and similar income and expense

In thousand Armenian drams	2018	2017
Loans and advances to customers	18,697,683	19,787,690
Investment securities at FVOCI (2017 available-for-sale)	108,501	2,067,391
Investment securities at amortised cost (2017 held-to-maturity)	1,001,105	-
Amounts due to financial institutions	181,395	33,641
Income from guarantee agreements	14,604	-
Reverse repurchase transactions	901	125,646
Interest accrued on individually impaired financial assets	-	266,106
Derivative financial instruments	4,031	16,268
Total interest and similar income	<u>20,008,220</u>	<u>22,296,742</u>

In thousand Armenian drams	2018	2017
Amounts due to customers	7,706,763	9,553,380
Amounts due to financial institutions	379,796	431,511
Government loans	329,541	325,569
Repurchase transactions	118,864	37,482
Borrowings	551,910	1,206,733
Bonds issued	390,601	250,711
Derivative instruments	12,685	-
Total interest and similar expense	9,490,160	11,805,386

## 8 Fee and commission income and expense

In thousand Armenian drams	2018	2017
Cash collection	350,015	433,879
Plastic cards operations	1,173,051	200,476
Guarantees and letters of credit	81,850	16,522
Foreign currency translation operations	481,286	99,975
Other fees and commissions	100,246	146,736
Total fee and commission income	2,186,448	897,588
Wire transfer fees	140,379	70,300
Plastic cards operations	192,142	181,735
Foreign currency translation operations	6,364	6,447
Stock exchange services	19,380	13,638
Other expenses	7,631	26,418
Total fee and commission expense	365,896	298,538

## 9 Net trading income

In thousand Armenian drams	2018	2017
Gains less losses from transactions in foreign currencies	1,239,597	601,523
Gains less losses from derivatives	(417,107)	29,751
Gains less losses from investments	2,080	-
Total net trading income	824,570	631,274

## 10 Other income

In thousand Armenian drams	2018	2017
Fines and penalties received	926,276	1,273,075
Foreign currency translation net gains of non-trading assets and liabilities	507,545	-
Reversal of impairment of repossessed assets	19,891	93,148
Gains from operations of precious metals	-	7,121
Gains from sale of other assets	72,915	-
Gains from guarantee agreements	48,922	-
Income from leased assets	20,062	341,248
Other income	3,760	18,002
Total other income	1,599,371	1,732,594

## 11 Credit impairment losses

2018	In thousand Armenian drams					
	Note	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total 2018	Total 2017
Cash and cash equivalents	16	29,218	-	-	29,218	-
Amounts due from financial institutions	18	67,538	-	-	67,538	-
Loans and advances to customers	19	301,676	176,831	4,695,296	5,173,803	5,940,569
Investment securities measured at FVOCI	20	24,176	-	-	24,176	-
Investment securities measured at amortised cost	20	94,492	-	-	94,492	-
Other assets	23	75,173	-	-	75,173	33,924
Financial guarantees and loan commitments	30	60,893	-	-	60,893	-
Total impairment losses		653,167	176,831	4,695,295	5,525,293	5,974,493

## 12 Staff costs

In thousand Armenian drams	2018	2017
Compensations of employees, related taxes included	3,796,686	3,477,720
Staff training and other costs	2,031	3,051
Total staff costs	3,798,717	3,480,771

## 13 Other expenses

In thousand Armenian drams	2018	2017
Fixed assets maintenance	623,087	594,812
Advertising costs	274,335	242,762
Business trip expenses	22,588	12,453
Communications	173,264	150,716
Operating lease	469,988	462,856
Taxes, other than income tax, duties	408,349	389,813
Foreign currency translation net losses of non-trading assets	-	428,837
Consulting and other services	83,023	31,813
Security	97,998	53,869
Representative expenses	143,138	50,892
Office supplies	186,375	87,439
Penalties paid	2,012	2,118
Deposit insurance	374,815	333,306
Computer software maintenance	44,160	44,640
Cash collection services	79,535	67,948
Loss on impairment of property and equipment	-	7
Loss on disposal of property and equipment	13,193	2,938
Loss on disposal of repossessed assets	-	34,853
Loss from operations of precious metals	4,982	-
Charitable donations	196,062	23,320
Other expenses	288,938	133,464
Total other expense	3,485,842	3,148,856

## 14 Income tax expense

In thousand Armenian drams	2018	2017
Current tax expense	284,278	161,386
Deferred tax	241,384	21,054
Total income tax expense	525,662	182,440

The corporate income tax within the Republic of Armenia is levied at the rate of 20% (2017: 20%). Differences between IFRS and RA statutory tax regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes. Deferred income tax is calculated using the principal tax rate of 20%.

Numerical reconciliation between the tax expenses and accounting profit is provided below:

In thousand Armenian drams	2018	Effective rate (%)	2017	Effective rate (%)
Profit before tax	1,456,959		250,042	
Income tax at the rate of 20%	291,392	20	50,008	20
Non-taxable income	(3,978)	-	(26,991)	(10)
Other taxable income	4,144	-	2,186	1
Non-deductible expenses	252,192	17	65,520	26
Gains less losses from derivatives	83,421	6	5,950	2
Foreign exchange difference	(101,509)	(7)	85,767	34
Income tax expense	<u>525,662</u>	<u>36</u>	<u>182,440</u>	<u>73</u>

Deferred tax calculation in respect of temporary differences:

In thousand Armenian drams	2017	Impact of adopting IFRS 9	Recognized in profit or loss	Recognized in other comprehensive income	Net	Deferred tax asset	Deferred tax liability
Cash and cash equivalents	-	1,313	5,844	-	7,157	7,157	-
Amounts due from financial institutions	(21,374)	715	11,498	-	(9,161)	-	(9,161)
Investments in securities	(4,934)	203,331	18,898	(124,067)	93,228	93,228	-
Loans and advances to customers	(805,482)	767,728	(242,413)	-	(280,167)	-	(280,167)
Property and equipment	(353,191)	-	6,638	(6,566)	(353,119)	-	(353,119)
Other assets	-	430	(53,121)	-	(52,691)	-	(52,691)
Other liabilities	73,220	-	(5,497)	-	67,723	67,723	-
Contingent liabilities	(19,961)	3,634	16,769	-	442	442	-
Deferred tax asset/(liability)	<u>(1,131,722)</u>	<u>977,151</u>	<u>(241,384)</u>	<u>(130,633)</u>	<u>(526,588)</u>	<u>168,550</u>	<u>(695,138)</u>



In thousand Armenian drams

	31 December 2016	Recognized in profit or loss	Recognized in other comprehensive income	31 December 2017
Other liabilities	62,846	10,374	-	73,220
Securities available for sale	96,603	-	(101,537)	(4,934)
Total deferred tax assets	159,449	10,374	(101,537)	68,286
Contingent liabilities	(22,516)	2,555	-	(19,961)
Amounts due from other financial institutions	(9,963)	(11,411)	-	(21,374)
Loans and advances to customers	(770,137)	(35,345)	-	(805,482)
Property and equipment	(314,811)	12,773	(51,153)	(353,191)
Total deferred tax liability	(1,117,427)	(31,428)	(51,153)	(1,200,008)
Net deferred tax liability	(957,978)	(21,054)	(152,690)	(1,131,722)

## 15 Earnings per share

In thousand Armenian drams

	2018	2017
Profit for the year	931,297	67,602
Dividends on preferred shares	(382,313)	(160,051)
Profit/(Loss) less dividends on preferred shares	548,984	(92,449)
Weighted average number of ordinary shares (number of shares)	204,896,529	203,366,365
Profit/(Loss) per share – basic	0.002679	(0.0004546)

## 16 Cash and cash equivalents

In thousand Armenian drams

	31 December 2018	31 December 2017
Cash on hand	7,792,909	7,690,879
Correspondent accounts with CBA	17,126,388	20,879,961
Nostro accounts with other banks	7,165,495	3,273,114
	32,084,792	31,843,954
Less loss allowance	(35,785)	-
Total cash and cash equivalents	32,049,007	31,843,954

As of 31 December 2018 correspondent account with Central Bank of Armenia includes the obligatory minimum reserve deposits with the CBA, which is computed at 2% of certain obligations of the Bank denominated in Armenian drams and 18% of certain obligations of the Bank, denominated in foreign currency and amounts to AMD 17,126,388 thousand (2017: AMD 14,638,272 thousand, 2% and 18% respectively). There are no restrictions on the withdrawal of funds from the CBA, however, if minimum average requirement is not met, the Bank could be subject to penalties. The mandatory reserve deposits of the Bank are non-interest bearing.

As at 31 December 2018 the accounts in amount of AMD 5,543,004 thousand (77%) (2017: AMD 3,202,814 thousand (98%)) were due from two commercial banks.

An analysis of changes in the ECLs on cash and cash equivalents is as follows:

In thousand Armenian drams	31 December 2018	31 December 2017
	12-month ECL	Total
<i>Cash and cash equivalents</i>		
ECL allowance as at 1 January 2018	6,567	-
Net remeasurement of loss allowance	29,218	-
Balance as at 31 December	35,785	-

Non-cash transactions performed by the Bank during 2018 are represented by:

- repayment of AMD 1,151,576 thousand loan by repossessing the collateral (2017: AMD 1,892,940 thousand).

## 17 Derivative financial instruments

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies. The Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfil their obligation.

Whether aggregate contractual or notional amount of derivative financial instruments are favourable or not, the fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The fair values of derivative instruments held are set out below.

In thousand Armenian drams	31 December 2018			31 December 2017		
	Notional amount	Fair value of assets	Fair value of liabilities	Notional amount	Fair value of assets	Fair value of liabilities
<i>Foreign exchange contracts</i>						
Foreign exchange swap	2,673,068	-	12,761	2,770,514	3,086	9,993
Foreign exchange forward	612,506	785	52	-	-	-
Total derivative financial instruments		785	12,813		3,086	9,993

## 18 Amounts due from financial institutions

In thousand Armenian drams	31 December 2018	31 December 2017
Deposited funds with the CBA	211,500	210,000
Deposited funds with other banks	736,682	736,930
Loans to banks	11,775,880	-
Loans to financial institutions	330,498	48,620
	13,054,560	995,550
Less loss allowance	(71,113)	-
Total amounts due from other financial institutions	12,983,447	995,550

Deposited funds with CBA include a guaranteed deposit for settlements via ArCa payment system transactions.

Deposited funds with other banks include guaranteed deposits for settlements via VISA and Master Card payment systems transactions.

As of 31 December 2018 the average effective interest rates on loans to banks were 4.10% for loans in USD, 1.61% for loans in EUR (no loans to banks in 2017).

An analysis of changes in the ECLs on amount due from financial institutions as follows:

In thousand Armenian drams	31 December 2018	31 December 2017
	12-month ECL	Total
<i>Amount due from other financial institutions</i>		
ECL allowance as at 1 January 2018	3,575	-
Net remeasurement of loss allowance	67,538	-
Balance as at 31 December	71,113	-

## 19 Loans and advances to customers

In thousand Armenian drams	31 December 2018			31 December 2017		
	Gross carrying amount	ECL allowance	Carrying amount	Gross carrying amount	Impairment allowance	Carrying amount
<i>Mortgage and consumer lending</i>						
Mortgage	11,544,432	(771,932)	10,772,500	11,871,486	(118,715)	11,752,771
Consumer	66,101,888	(4,991,352)	61,110,536	55,631,593	(2,120,200)	53,511,393
<i>Commercial lending</i>						
Industry	11,087,751	(1,529,265)	9,558,486	8,591,135	(317,901)	8,273,234
Agriculture	1,870,427	(151,963)	1,718,464	547,754	(5,478)	542,276
Construction	12,155,295	(1,049,804)	11,105,491	9,426,511	(281,743)	9,144,768
Transportation	9,450,156	(488,988)	8,961,168	5,851,808	(227,146)	5,624,662
Trade	17,393,351	(2,796,481)	14,596,870	24,403,124	(1,426,243)	22,976,881
Services	11,999,332	(1,612,508)	10,386,824	8,073,613	(697,551)	7,376,062
Other	6,751,989	(683,246)	6,068,743	16,487,752	(561,907)	15,925,845
Total	148,354,621	(14,075,539)	134,279,082	140,884,776	(5,756,884)	135,127,892

As of 31 December 2018 the average effective interest rates on loans and advances to corporate customers were 13.76% for loans in AMD, 11.86% for loans in USD, 10.59% for loans in EUR, 12.71% for loans in RUB. And the average effective interest rates on loans and advances to individuals were 22.46% for loans in AMD, 13.61% for loans in USD, 8.85% for loans in EUR, 9.38% for loans in RUB (2017: on loans and advances to corporate customers were 13.49% for loans in AMD, 12.32% for loans in USD, 12.30% for loans in RUB, 12.64% for loans in EUR. And the average effective interest rates on loans and advances to individuals were 17.82% for loans in AMD, 13.25% for loans in USD, 11.14% for loans in EUR, no loans in RUB).

As of 31 December 2018, the Bank had a concentration of loans represented by AMD 30,790,668 thousand due from the 10 largest third party entities and parties related with them (21% of gross loan portfolio) (2017: AMD 34,868,710 thousand due from the 13 largest third party entities and parties related with them (25% of gross loan portfolio). An allowance of AMD 1,239,834 thousand (2017: AMD 560,441 thousand) was made against these loans.

An analysis of changes in ECL allowances in relation to mortgage and consumer lending and commercial lending are as follows.

In thousand Armenian drams	2018			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
<i>Mortgage and consumer lending</i>				
ECL allowance as at 1 January 2018	821,259	26,615	2,075,061	2,922,935
Changes due to financial assets recognised in opening balance that have:				
Transfer to 12-month ECL	33,081	(1,537)	(31,544)	-
Transfer to Lifetime ECL not credit-impaired	(18,402)	28,720	(10,318)	-
Transfer to Lifetime ECL credit-impaired	(29,727)	(4,519)	34,246	-
Net remeasurement of loss allowance	257,534	199,110	3,313,362	3,770,006
Recoveries	-	-	2,878,992	2,878,992
Amounts written off during the year	-	-	(3,808,649)	(3,808,649)
Balance at 31 December	<u>1,063,745</u>	<u>248,389</u>	<u>4,451,150</u>	<u>5,763,284</u>

In thousand Armenian drams	2018			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
<i>Commercial lending</i>				
ECL allowance as at 1 January 2018	87,662	-	6,584,925	6,672,587
Changes due to financial assets recognised in opening balance that have:				
Transfer to 12-month ECL	12,201	-	(12,201)	-
Transfer to Lifetime ECL not credit-impaired	(29,066)	32,353	(3,287)	-
Transfer to Lifetime ECL credit-impaired	(341)	-	341	-
Net remeasurement of loss allowance	44,142	(22,279)	1,381,934	1,403,797
Recoveries	-	-	2,335,772	2,335,772
Amounts written off during the year	-	-	(2,099,901)	(2,099,901)
Balance at 31 December	<u>114,598</u>	<u>10,074</u>	<u>8,187,583</u>	<u>8,312,255</u>

The increase in ECLs of the portfolio was driven by an increase in the gross size of the portfolio and movements between stages as a result of increases in credit risk and a deterioration in economic conditions. Further analysis of economic factors is outlined in note 35.1.2.

An analysis of the allowance for impairment losses under IAS 39 for loans and advances, by class, for the year to 31 December 2017 is, as follows

In thousand Armenian drams	2017		
	Mortgage and consumer lending	Commercial lending	Total
At 1 January 2017	1,758,422	4,185,368	5,943,790
Charge for the year	5,131,304	809,265	5,940,569
Amounts written off	(5,646,462)	(3,122,951)	(8,769,413)
Recoveries	995,651	1,646,287	2,641,938
At 31 December 2017	2,238,915	3,517,969	5,756,884
Individual impairment	185,451	2,723,213	2,908,664
Collective impairment	2,053,464	794,756	2,848,220
	2,238,915	3,517,969	5,756,884
Gross amount of loans individually determined to be impaired, before deducting any individually assessed impairment allowance	1,888,572	9,522,835	11,411,407

At 31 December 2018 and 2017 the estimated fair value of loans and advances to customers approximates its carrying value. See note 32.

Maturity analysis of loans and advances to customers are disclosed in note 34.

Credit, currency and interest rate analyses of loans and advances to customers are disclosed in note 36. The information on related party balances is disclosed in note 31.

## 20 Investment securities

In thousand Armenian drams	31 December 2018	31 December 2017
<i>Investment securities measured at amortised cost</i>		
RA state bonds	10,464,958	-
Corporate bonds	2,465,868	-
	12,930,826	-
Less loss allowance	(108,038)	-
Total investment securities at amortised cost	12,822,788	-

An analysis of changes in the ECLs on investment securities measured at amortised cost is as follows:

In thousand Armenian drams	2018	2017
	12-month ECL	Total
ECL allowance as at 1 January 2018	13,546	-
Net remeasurement of loss allowance	94,492	-
Balance as at 31 December	108,038	-

In thousand Armenian drams	31 December 2018	31 December 2017
<i>Investment securities measured at FVOCI</i>		
<i>Debt instruments</i>		
RA state bonds	2,012,227	N/A
Corporate bonds	1,415,356	N/A
<i>Equity instruments</i>		
Equity investments	389,497	N/A
<i>Available-for-sale investment securities</i>		
Equity instruments of Armenian companies	N/A	21,460
RA state bonds	N/A	12,168,958
Corporate bonds	N/A	1,401,613
Total investment securities measured at FVOCI (2017 Available-for-sale)	<u>3,817,080</u>	<u>13,592,031</u>

Debt investment securities measured at FVOCI (2017 available-for-sale) pledged under repurchase agreements	-	7,877,164
Total investment securities measured at FVOCI (2017 available-for-sale)	<u>3,817,080</u>	<u>21,469,195</u>

An analysis of changes in the ECLs on debt investment securities measured at FVOCI, including pledged under repurchase agreements as follow:

In thousand Armenian drams	2018	2017
	12-month ECL	Total
ECL allowance as at 1 January 2018	1,938	-
Net remeasurement of loss allowance	24,176	-
Balance at 31 December	<u>26,114</u>	<u>-</u>

The above loss allowance is not recognised in the statement of financial position because the carrying amount of debt investment securities at FVOCI (2017: available-for-sale) is their fair value.

All debt securities have fixed coupons.

Investment securities measured at FVOCI (2017: available-for-sale) by effective interest rates and maturity dates comprise:

In thousand Armenian drams	31 December 2018		31 December 2017	
	%	Maturity	%	Maturity
RA state bonds	10-11%	2020-2028	5.72-14.94%	2018-2028
Corporate bonds	5.95-10%	2019-2022	-	-

Investment securities measured at amortised cost (2017: Held-to-maturity) upon profitability and maturity terms:

In thousand Armenian drams	31 December 2018		31 December 2017	
	%	Maturity	%	Maturity
RA state bonds	6-12%	2020-2025	-	-
Corporate bonds	5-9.9%	2021-2022	-	-

As of 31 December 2017 debt securities measured at AFS AMD 7,877,164 thousand were pledged to third parties in sale and repurchase agreements for periods not exceeding 2 months. These have been reclassified as securities pledged under repurchase agreements on the face of the balance sheet (see note 24).

## 21 Property and equipment

In thousand Armenian drams

	Land and buildings	Leasehold improve- ments	Computer and communi- cation technologies	Vehicles	Fixtures and fittings	Total
<i>Cost/ Revalued amount</i>						
At 1 January 2017	5,608,759	141,879	1,158,423	182,053	3,209,620	10,300,734
Additions	97,905	106,637	93,584	66,716	603,424	968,266
Disposals	(70,002)	(1,276)	(43,381)	(63,268)	(135,700)	(313,627)
Revaluation	255,757	-	-	-	-	255,757
Depreciation adjustment as a result of revaluation	(70,665)	-	-	-	-	(70,665)
At 31 December 2017	5,821,754	247,240	1,208,626	185,501	3,677,344	11,140,465
Additions	15,019	3,500	172,456	26,974	537,351	755,300
Disposals	(31,300)	(3,938)	(410,351)	-	(39,489)	(485,078)
Revaluation	-	-	32,831	-	-	32,831
At 31 December 2018	5,805,473	246,802	1,003,562	212,475	4,175,206	11,443,518
<i>Accumulated depreciation</i>						
At 1 January 2017	11,842	42,364	795,185	106,803	1,692,827	2,649,021
Charge for the year	68,382	4,320	155,794	13,119	269,735	511,350
Disposals	(334)	(1,275)	(42,341)	(52,450)	(46,251)	(142,651)
Depreciation adjustment as a result of revaluation combination	(70,665)	-	-	-	-	(70,665)
At 31 December 2017	9,225	45,409	908,638	67,472	1,916,311	2,947,055
Charge for the year	72,604	4,308	88,420	17,425	214,597	397,354
Disposals	(149)	(905)	(410,216)	-	(38,673)	(449,943)
At 31 December 2018	81,680	48,812	586,842	84,897	2,092,235	2,894,466
<i>Carrying amount</i>						
At 31 December 2017	5,812,529	201,831	299,988	118,029	1,761,033	8,193,410
At 31 December 2018	5,723,793	197,990	416,720	127,578	2,082,971	8,549,052

### Revaluation of assets

The land and buildings and computer and communication technologies of the Bank are represented at the revalued amount. The land and buildings owned by the Bank were revaluated by an independent appraiser in December 2017 using the comparative methods resulting in a net increase in amount of AMD 255,757 thousand. Management has based their estimate of the fair value of the land and buildings on the results of the independent appraisal.

If the land and buildings were presented in difference of cost and accumulated depreciation the carrying value would have been AMD 5,486,552 thousand as at 31 December 2018 (2017: AMD 5,555,765 thousand).

The computer and communication technologies owned by the Bank were revaluated in December 2018 using the comparative methods resulting in a net increase in amount of AMD 32,831 thousand (2017: nil).

The carrying value of the revalued computer and communication technologies was nil as at 31 December 2017.

### *Fully depreciated items*

As at 31 December 2018 fixed assets included fully depreciated assets in cost of AMD 1,571,105 thousand (2017: AMD 1,819,313 thousand).

### *Fixed assets in the phase of installation*

As at 31 December 2018 fixed assets included assets in the phase of installation amounting AMD 1,471,791 thousand, containing buildings in amount of AMD 19,300 thousand (2017: AMD 1,035,877 thousand, containing buildings in amount of AMD 50,600 thousand)

### *Restrictions on title of fixed assets*

As at 31 December 2018, the Bank did not possess any fixed assets pledged as security for liabilities or whose title is otherwise restricted (2017: either).

### *Contractual commitments*

As at 31 December 2018, the Bank had no contractual commitment in respect of investments in fixed assets (2017: nil).

## 22 Intangible assets

In thousand Armenian drams

	<b>Licenses</b>	<b>Acquired software licenses</b>	<b>Other</b>	<b>Total</b>
<i>Cost</i>				
At 1 January 2017	936,942	810,912	101,021	1,848,875
Additions	7,825	121,110	-	128,935
At 31 December 2017	944,767	932,022	101,021	1,977,810
Additions	30,044	277,415	-	307,459
At 31 December 2018	974,811	1,209,437	101,021	2,285,269
<i>Accumulated depreciation</i>				
At 1 January 2017	228,087	178,817	61,870	468,774
Amortisation charge	55,702	30,663	2,397	88,762
At 31 December 2017	283,789	209,480	64,267	557,536
Amortisation charge	56,713	39,278	2,397	98,388
At 31 December 2018	340,502	248,758	66,664	655,924
<i>Carrying amount</i>				
At 31 December 2017	660,978	722,542	36,754	1,420,274
At 31 December 2018	634,309	960,679	34,357	1,629,345



### Contractual commitments

As at 31 December 2018, the Bank did not have contractual commitments in respect of investments in intangible assets.

As at 31 December 2018, the Bank did not possess any intangible assets pledged as security for liabilities or whose title is otherwise restricted.

As at 31 December 2018, the licenses included the software license for clearing operations with plastic cards at the carrying amount of AMD 462,732 thousand (2017: AMD 489,449 thousand).

As at 31 December 2018 intangible assets included fully amortized assets in cost of AMD 12,870 thousand (2017: nill).

## 23 Other assets

In thousand Armenian drams	31 December 2018	31 December 2017
Accounts receivable	147,712	209,658
Less loss allowance	(523)	(12,707)
Total other financial assets	147,189	196,951
Prepayments and other debtors	453,302	628,009
Reposessed assets	2,210,359	1,876,321
Other prepaid taxes	3,399	3,403
Materials	130,905	148,063
Precious metals	68,650	63,194
Other assets	655,298	638,734
Total non-financial assets	3,521,913	3,357,724
Total other assets	3,669,102	3,554,675

An analysis of changes in the ECLs on other financial assets is as follow:

In thousand Armenian drams	Total
At 1 January 2017	10,522
Net charge for the year	33,924
Write off	(31,739)
At 31 December 2017	12,707
Correcting opening balance effect of IFRS 9 provision	2,148
ECL allowance as at 1 January 2018	14,855
Net remeasurement of loss allowance	75,173
Write off	(89,505)
At 31 December 2018	523

As of the date of repossession the collateral is measured at the lower of the carrying amount of outstanding loan commitment and fair value of realizable collateral.

The Bank's policy is to pursue timely realisation of the collateral in an orderly manner. The Bank generally does not use the non-cash collateral for its own operations. The assets are measured at the lower of their carrying amount and fair value less costs to sell.

## 24 Amounts due to financial institutions

In thousand Armenian drams

	31 December 2018	31 December 2017
Correspondent accounts of other banks	2,883,102	1,751,864
Current accounts of other financial institutions	54,699	93,025
Loans from financial institutions	4,721,126	6,606,372
Loans under repurchase agreements	-	7,773,155
Deposits from financial institutions	1,381,024	1,026,110
Total amounts due to financial institutions	9,039,951	17,250,526

As of 31 December 2018 the average effective interest rates on amounts due to financial institutions was 7.13% for borrowings in AMD (2017: 8.00%) and 6.34% for borrowings in USD (2017: 3.22%).

All deposits from financial institutions have fixed interest rates. Loans have variable and fixed interest rates.

The Bank has not had any defaults of principal, interest or other breaches with respect to its liabilities during the period (2017: nil).

## 25 Amounts due to customers

In thousand Armenian drams

	31 December 2018	31 December 2017
Corporate customers		
Current/Settlement accounts	31,673,397	7,011,387
Time deposits	20,438,842	18,171,418
	52,112,239	25,182,805
Retail customers		
Current/Demand accounts	11,522,228	10,943,532
Time deposits	87,817,537	92,301,586
	99,339,765	103,245,118
Total amounts due to customers	151,452,004	128,427,923

Deposits from corporate and retail customers carry fixed interest rates.

As at 31 December 2018 included in current and time deposit accounts of retail and corporate customers are deposits amounting to AMD 12,636,107 thousand (2017: AMD 13,978,166 thousand), held as security against loans provided and guarantees issued. The fair value of those deposits approximates the carrying amount.

At 31 December 2018 the aggregate balance of top ten retail and corporate customers of the Bank amounts to AMD 25,801,730 thousand (2017: AMD 23,009,790 thousand) or 17% of total retail and corporate customer accounts (2017: 18%).

The Bank has not had any defaults of principal, interest or other breaches with respect to its liabilities during the period (2017: nil).

As of 31 December 2018 the average effective interest rates on amounts due to corporate customers were 11.44% for liabilities in AMD, 4.96% for liabilities in USD, 9.08% for liabilities in EUR. The average effective

interest rates on amounts due to individuals were 8.84% for liabilities in AMD, 4.57% for liabilities in USD, 3.22% for liabilities in EUR, 6.74% for liabilities in RUB (2017: for corporate customers 13.81% for liabilities in AMD, 5.61% for liabilities in USD, 1.65% for liabilities in EUR. The average effective interest rates on amounts due to individuals were 9.55% for liabilities in AMD, 4.65% for liabilities in USD, 3.45% for liabilities in EUR, 7.8% for liabilities in RUB).

## 26 Borrowings

In thousand Armenian drams

	31 December 2018	31 December 2017
Subordinated debt provided by non-financial organizations	1,451,727	1,452,777
Loans from RA Government	4,086,709	5,199,665
Other borrowing	1,098,452	8,092,122
<b>Total borrowings</b>	<b>6,636,888</b>	<b>14,744,564</b>

The amounts due to Government of the RA represent loans received from the International Fund for Agricultural Development within the scope of "Rural Areas Development Programme" and "Economy stabilization lending programme". Loans carry fixed interest rates.

The Bank has borrowed long-term subordinated debt and short-term revolving borrowing from the party related to Bank (see note 31).

As of 31 December 2018 the average effective interest rate on amounts due to Government of the RA was 6.01% for loans in AMD, 4.10% for loans in USD (2017: the average effective interest rate was 6.19% for loans in AMD, 4.06% for loans in USD).

The Bank has not had any defaults of principal, interest or other breaches with respect to its liabilities during the period (2017: nil).

As of 31 December 2018 average weighted interest rate of borrowings was 12.55% for loans in USD, 12.57% for loans in EUR (2017: 11.59% for loans in USD).

## 27 Debt securities issued

In thousand Armenian drams

	31 December 2018	31 December 2017
Bonds issued	8,576,459	5,139,360
<b>Total debt securities issued</b>	<b>8,576,459</b>	<b>5,139,360</b>

As of 31 December 2018, the Bank had issued interest-bearing bonds with following terms:

Date of issue	Currency	Per value	Quantity	%	Maturity of bonds	Total nominal value
18.12.2017	USD	100	50,000	5.75	11.09.2020	5,000,000
03.04.2018	USD	100	50,000	5.5	13.05.2021	5,000,000
20.03.2018	AMD	10,000	25,000	10	13.02.2020	250,000,000
20.12.2018	USD	100	50,000	5.5	22.10.2021	5,000,000
23.11.2018	AMD	10,000	50,000	10	22.10.2020	500,000,000
17.12.2018	AMD	10,000	50,000	10	12.11.2020	500,000,000

The bonds of the Bank are listed at "NASDAQ OMX Armenia" stock exchange.

The Bank has not repurchased any of its own debt during the year (2017: either ).

The Bank has not had any defaults of principal, interest or other breaches with respect to its liabilities during the period (2017: nil).

## 28 Other liabilities

In thousand Armenian drams

	31 December 2018	31 December 2017
Accounts payables	166,026	115,730
Dividends payable	222,263	-
Due to personnel	251,120	284,645
Total other financial liabilities	639,409	400,375
Tax payable, other than income tax	183,166	204,659
Revenues of future periods	44,411	50,996
ECL for guarantee and loan commitments*	79,063	-
Total other non-financial liabilities	306,640	255,655
Total other liabilities	946,049	656,030

\*Provisions have been made in respect of costs arising from financial guarantees and loan commitments. An analysis of changes in the ECLs on loan commitments and financial guarantees see note 30.

## 29 Equity

As at 31 December 2018 the Bank's registered and paid-in share capital was AMD 20,489,653 thousand. In accordance with the Bank's statute, the share capital consists of 172,886,525 ordinary shares, all of which have a par value of AMD 100 each and 32,010,000 preference shares, all of which have a par value of AMD 100 each.

The respective shareholdings as at 31 December 2018 and 2017 may be specified as follow:

In thousand Armenian drams

	Paid-in share capital	% of total paid-in capital
Uniholding GG Ltd	17,981,523	88
Sfikaro Investments Ltd	1,350,900	6
Arolova Enterprises Ltd	776,701	4
Other	380,529	2
	20,489,653	100

As at 31 December 2018 the Bank did not possess any of its own shares.

In 2017 the Bank increased its share capital by AMD 3,211,432 thousand, from which the share premium was AMD 1,815,157 thousand. The share capital of the Bank was contributed through dividends declared and they are entitled to dividends and any capital distribution in Armenian Drams.

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at annual and general meetings of the Bank. The holders of preference shares are entitled to one vote only at reorganization and liquidation of the Bank and when decisions of the statute limit their rights, as well as they have guaranteed annual dividend.

As at 31 December 2018 the dividends for preference shareholders recognized in the financial statements amounted to AMD 382,313 thousand (2017: AMD 160,051 thousand).

Distributable among shareholders reserves equal the amount of retained earnings. Non-distributable reserves are represented by a reserve fund, which is created as required by the statutory regulations, in respect of general banking risks, including future losses and other unforeseen risks or contingencies. The reserve has been created in accordance with the Bank's statutes that provide for the creation of a reserve for these purposes of not less than 15% of the Bank's share capital reported in statutory book.

## 30 Contingent liabilities and commitments

### *Tax and legal matters*

The taxation system in Armenia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. Taxes are subject to review and investigation by tax authorities, which have the authority to impose fines and penalties. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by tax authorities once three years have elapsed from the date of the breach.

These circumstances may create tax risks in Armenia that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Armenian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant. Management believes that the Bank has complied with all regulations and has completely settled all its tax liabilities.

Management also believes that the ultimate liability, if any, arising from legal actions and complaints taken against the Bank, will not have a material adverse impact on the financial condition or results of future operations of the Bank.

### *Loan commitment and financial guarantee*

In the normal course of business, the Bank is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the statement of financial position.

As of 31 December the nominal or contract amounts were:

In thousand Armenian drams	31 December 2018	31 December 2017
Undrawn loan commitments	5,218,917	7,307,417
Guarantees	1,505,185	702,633
Total commitments and contingent liabilities	6,724,102	8,010,050

An analysis of changes in the ECLs on financial guarantee and loan commitments as follow:

In thousand Armenian drams	31 December 2018	31 December 2017
	12-month ECL	Total
<i>Financial guarantees and loan commitments</i>		
ECL allowance as at 1 January 2018	18,170	-
Net remeasurement of loss allowance	60,893	-
Balance as at 31 December	79,063	-

### *Operating lease commitments – Bank as a lessee*

In the normal course of business the Bank enters into commercial lease agreements for its buildings and premises.

The future aggregate minimum lease payments under operating leases are as follows:

In thousand Armenian drams

	31 December 2018	31 December 2017
Not later than 1 year	397,700	459,302
Later than 1 year and not later than 5 years	634,725	806,463
Later than 5 years	20,007	47,065
Total operating lease commitments	1,052,432	1,312,830

The aggregated minimum lease payments have increased mainly due to the prolongation of the head office lease contract term.

### *Capital commitments*

Information on the Bank's capital commitments is disclosed in notes 21 and 22.

### *Insurance*

The insurance industry in Armenia is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Bank anticipates partially coverage for business interruption, or for third party liability in respect of property or environmental damage arising from accidents on Bank property or relating to Bank operations. Until the Bank obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Bank's operations and financial position.

## 31 Transactions with related parties

In accordance with IAS 24 Related Party Disclosures, parties are considered to be related if one party has ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. For the purpose of the present financial statements, related parties include shareholders, members of Bank's Management as well as other persons and enterprises related with and controlled by them respectively.

The shareholder company is controlled by Russian businessmen G. Zaqaryan and G. Piskov with equal voting shares.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and other transactions.

The volumes of related party transactions, outstanding balances at the year end, and related expense and income for the year are as follows:

In thousand Armenian drams	2018		2017	
	Shareholders and parties related with them	Key management personnel and parties related with them	Shareholders and parties related with them	Key management personnel and parties related with them

### *Statement of financial position*

#### *Loans and advances to customers*

Loans outstanding at January 1, gross	3,454,893	382,284	3,650,987	197,982
Loans issued during the year	6,181,129	271,814	26,891	279,456
Loan repayments during the year	(4,025,819)	(189,497)	(222,985)	(95,154)
Loans outstanding at 31 December gross	5,610,203	464,601	3,454,893	382,284
Less: allowance for loan impairment	(5,707)	(1,461)	(34,549)	(3,823)
Loans outstanding at December 31	<u>5,604,496</u>	<u>463,140</u>	<u>3,420,344</u>	<u>378,461</u>

#### *Amounts due from financial institutions*

At January 1	277,177	-	356,283	-
Increase	58,564,718	-	43,901,871	-
Decrease	(56,363,224)	-	(43,980,977)	-
At December 31	<u>2,478,671</u>	<u>-</u>	<u>277,177</u>	<u>-</u>
Less: allowance impairment	(22,275)	-	-	-
Amount outstanding at December 31	<u>2,456,396</u>	<u>-</u>	<u>277,177</u>	<u>-</u>

#### *Amounts due to financial institutions*

At January 1	1,876,288	-	440,151	-
Increase	75,887,623	-	17,108,731	-
Decrease	(74,427,486)	-	(15,672,594)	-
At December 31	<u>3,336,425</u>	<u>-</u>	<u>1,876,288</u>	<u>-</u>

#### *Amounts due to customers*

At January 1	236,742	139,616	449,792	241,194
Deposits received during the year	11,493,662	2,879,958	7,762,798	925,196
Deposits repaid during the year	(8,439,784)	(2,746,228)	(7,975,848)	(1,026,744)
At December 31	<u>3,290,620</u>	<u>273,346</u>	<u>236,742</u>	<u>139,616</u>

In thousand Armenian drams	2018		2017	
	Shareholders and parties related with them	Key management personnel and parties related with them	Shareholders and parties related with them	Key management personnel and parties related with them
<i>Borrowings</i>				
At January 1	9,544,899	-	10,134,574	-
Received during the year	16,638,641	-	31,577,312	-
Repaid during the year	(23,633,361)	-	(32,166,987)	-
Borrowings at December 31	<u>2,550,179</u>	<u>-</u>	<u>9,544,899</u>	<u>-</u>
Debt securities issued	-	71,531	-	56,642
Interest and similar income	584,812	54,635	392,646	37,482
Interest and similar expenses	(705,055)	(9,606)	(1,229,827)	(10,004)
Charge/(reversal) of credit losses	(6,567)	(2,362)	(1,961)	1,843
Insurance payments	-	-	(33,639)	-

The loans issued to parties related with the Bank are repayable in 1-20 years and have interest rate 7.5%-24%.

Compensation of key management personnel was comprised of the following:

In thousand Armenian drams	2018	2017
Salaries and bonuses	720,191	750,989
Total key management compensation	<u>720,191</u>	<u>750,989</u>

## 32 Fair value measurement

Financial and non-financial assets and liabilities measured at fair value in the statement of financial position are presented below. This hierarchy groups financial and non-financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).



## 32.1 Financial instruments that are not measured at fair value

The table below presents the fair value of financial assets and liabilities not measured at their fair value in the statement of financial position and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

In thousand Armenian drams	31 December 2018				
	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
<i>Financial assets</i>					
Cash and cash equivalents	-	32,049,007	-	32,049,007	32,049,007
Amounts due from financial institutions	-	12,983,447	-	12,983,447	12,983,447
Loans and advances to customers	-	133,847,107	-	133,847,107	134,279,082
Investments securities measured at amortised cost	-	12,824,151	-	12,824,151	12,822,788
Other financial assets	-	147,189	-	147,189	147,189
<i>Financial liabilities</i>					
Amounts due to financial institutions	-	9,174,836	-	9,174,836	9,039,951
Amounts due to customers	-	151,668,504	-	151,668,504	151,452,004
Borrowings	-	7,117,876	-	7,117,876	6,636,888
Issued debt securities	-	8,413,974	-	8,413,974	8,576,459
Other financial liabilities	-	639,409	-	639,409	639,409

In thousand Armenian drams	31 December 2017				
	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
<i>Financial assets</i>					
Cash and cash equivalents	-	31,843,954	-	31,843,954	31,843,954
Amounts due from financial institutions	-	995,550	-	995,550	995,550
Loans and advances to customers	-	135,127,892	-	135,127,892	135,127,892
Other financial assets	-	196,951	-	196,951	196,951
<i>Financial liabilities</i>					
Amounts due to financial institutions	-	17,250,526	-	17,250,526	17,250,526
Amounts due to customers	-	128,427,923	-	128,427,923	128,427,923
Borrowings	-	14,744,564	-	14,744,564	14,744,564
Issued debt securities	-	5,183,230	-	5,183,230	5,139,360
Other financial liabilities	-	400,375	-	400,375	400,375

### Amounts due from and to financial institutions

For assets and liabilities maturing within one month, the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments. For the assets and liabilities maturing in over one

month, the fair value was estimated as the present value of estimated future cash flows discounted at the appropriate year-end market rates, which are mainly the same as current interest rates.

#### *Loans and advances to customers*

The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty and ranged from 5% to 24% per annum (2017: 5% to 24% per annum).

The fair value of the impaired loans is calculated based on expected cash flows from the sale of collateral. The value of collateral is based on appraisals performed by independent, professionally-qualified property valuers.

#### *Investment securities measured at amortised cost (2017 held to maturity)*

Market values have been used to determine the fair value of investment securities measured at amortised cost traded on an active market. For securities that are not traded on an active market, the fair value was estimated as the present value of estimated future cash flows discounted at the year-end market rates.

#### *Borrowings*

The estimated fair value of fixed interest-bearing deposits and other borrowings not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

#### *Debt securities issued*

The estimated fair value of the issued debt securities is determined based on the estimated future cash flows discounted at the relevant interest rates at the end of the year, which mainly coincides with the current interest rates.

## 32.2 Financial instruments that are measured at fair value

In thousand Armenian drams

	31 December 2018			
	Level 1	Level 2	Level 3	Total
<i>Financial assets</i>				
Investments securities at FVOCI	-	3,817,080	-	3,817,080
Derivative financial assets	-	785	-	785
Total	-	3,817,865	-	3,817,865
<i>Financial liabilities</i>				
Derivative financial liabilities	-	12,813	-	12,813
Total	-	12,813	-	12,813
Net fair value	-	3,805,052	-	3,805,052

In thousand Armenian drams

31 December 2017

	Level 1	Level 2	Level 3	Total
<i>Financial assets</i>				
Derivative financial assets	-	3,086	-	3,086
Investments available-for-sale	-	13,570,571	-	13,570,571
Securities pledged under repurchase agreements	-	7,877,164	-	7,877,164
<b>Total</b>	<b>-</b>	<b>21,450,821</b>	<b>-</b>	<b>21,450,821</b>
<i>Financial liabilities</i>				
Derivative financial liabilities	-	9,993	-	9,993
<b>Total</b>	<b>-</b>	<b>9,993</b>	<b>-</b>	<b>9,993</b>
<b>Net fair value</b>	<b>-</b>	<b>21,440,828</b>	<b>-</b>	<b>21,440,828</b>

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

#### *Unquoted debt securities*

The fair value of unquoted debt securities at FVOCI is measured using a valuation technique, which uses current market rates to discount future cash flows of the financial instruments.

#### *Unquoted equity investments*

For determining the fair value of unquoted equity instruments the Bank uses a combination of market and income approaches. The market approach and the income approach are common valuation techniques for equity investments that are not publicly traded. Under the market approach, the Bank uses prices and other relevant information generated by market transactions involving identical or comparable securities. Under the income approach, future amounts are converted into a single present amount (e.g. a discounted cash flows model). The market approach is preferred as the main inputs used are typically observable. In 2017 unquoted equity instruments were measured at cost.

#### *Derivatives*

Where derivatives are traded either on exchanges or liquid over-the-counter market the Bank uses the closing price at the reporting date. The fair values of these contracts are estimated using valuation techniques that maximises the use of observable market inputs. Most derivatives entered into by the Bank are included in Level 2 and consist of foreign currency forward contracts.

### 32.3 Fair value measurement of non-financial assets

In thousand Armenian drams

31 December 2018

	Level 1	Level 2	Level 3	Total
<i>Non-financial assets</i>				
Property plant and equipment				
<i>Land and buildings</i>	-	-	5,805,473	5,805,473
<i>Computer and communication technologies</i>	-	-	1,003,562	1,003,562
<b>Total non-financial assets</b>	<b>-</b>	<b>-</b>	<b>6,809,035</b>	<b>6,809,035</b>
<b>Net fair value</b>	<b>-</b>	<b>-</b>	<b>6,809,035</b>	<b>6,809,035</b>

In thousand Armenian drams

As of 31 December 2017

	Level 1	Level 2	Level 3	Total
<i>Non-financial assets</i>				
Property plant and equipment				
<i>Land and buildings</i>	-	-	5,821,754	5,821,754
Total non-financial assets	-	-	5,821,754	5,821,754
Net fair value	-	-	5,821,754	5,821,754

### Fair value measurements in Level 3

The Bank's non-financial assets were classified in Level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The non-financial assets within this level can be reconciled from beginning to ending balance as follows:

In thousand Armenian drams

2018

	Property plant equipment	Computer and communication technologies	Total
<i>Non-financial assets</i>			
Balance as at 1 January 2018	5,821,754	1,208,626	7,030,380
Gain recognised in other comprehensive income	-	32,831	32,831
Additions	15,019	172,456	187,475
Disposal	(31,300)	(410,351)	(441,651)
Balance as at 31 December, 2018	5,805,473	1,003,562	6,809,035
Net fair value	5,805,473	1,003,562	6,809,035

In thousand Armenian drams

2017

	Property plant equipment	Total
<i>Non-financial assets</i>		
Balance as at 1 January 2017	5,608,759	5,608,759
Net loss from impairment recognized in comprehensive income	(7)	(7)
Depreciation adjustment as a result of revaluation of property and equipment	(70,665)	(70,665)
Gain recognised in other comprehensive income	255,764	255,764
Additions	97,905	97,905
Disposal	(70,002)	(70,002)
Balance as at 31 December, 2017	5,821,754	5,821,754

In thousand Armenian drams

2017

	Property plant equipment	Total
Net fair value	5,821,754	5,821,754

Fair value of the Bank's main property assets is estimated based on appraisals performed by independent, professionally-qualified property valuers. The significant inputs and assumptions are developed in close consultation with Management. The valuation processes and fair value changes are reviewed by the board of directors and audit committee at each reporting date.

The appraisal was carried out using a comparative approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location, encumbrances and current use and other.

### 33 Offsetting of financial assets and financial liabilities

In the ordinary course of business, the Bank performs different operations with financial instruments which may be presented in net amounts when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The table below presents financial assets and financial liabilities that are offset in the statement of financial position or are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

In thousand Armenian drams

31 December 2017

				December 2019		
				Related amounts that are not offset in the statement of financial position		
	Gross amount of recognised financial liabilities in the statement of financial position	Gross amount of recognised financial liabilities in the statement of financial position	Net amount of financial liabilities in the statement of financial position	Financial instruments in the statement of financial position	Cash collateral received	Net
<i>Financial liabilities</i>						
Loans under repurchase agreements (note 24)	(7,773,155)	-	(7,773,155)	7,877,164	-	104,009

## 34 Maturity analysis of assets and liabilities

The table below shows an analysis of financial assets and liabilities analysed according to when they are expected to be recovered or settled. See note 36.3 for the Bank's contractual undiscounted repayment obligations.

In thousand Armenian drams		31 December 2018						
	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Subtotal less than 12 months	From 1 to 5 years	More than 5 years	Subtotal over 12 months	Total
<i>Assets</i>								
Cash and cash equivalents	32,049,007	-	-	32,049,007	-	-	-	32,049,007
Amounts due from financial institutions	4,328,038	963,341	7,446,597	12,737,976	245,471	-	245,471	12,983,447
Derivative financial assets	785	-	-	785	-	-	-	785
Loans and advances to customers	30,217,908	5,895,117	25,158,009	61,271,034	42,533,580	30,474,468	73,008,048	134,279,082
Investment securities								
- Investment securities at fair value through other comprehensive income	389,498	15,819	68,713	474,030	2,256,732	1,086,318	3,343,050	3,817,080
- Investments securities at amortised cost	-	166,274	67,916	234,190	4,859,870	7,728,728	12,588,598	12,822,788
Other financial assets	147,189	-	-	147,189	-	-	-	147,189
	<u>67,132,425</u>	<u>7,040,551</u>	<u>32,741,235</u>	<u>106,914,211</u>	<u>49,895,653</u>	<u>39,289,514</u>	<u>89,185,167</u>	<u>196,099,378</u>
<i>Liabilities</i>								
Amounts due to financial institutions	4,089,138	251,945	980,298	5,321,381	2,875,814	842,756	3,718,570	9,039,951
Amounts due to customers	58,971,276	19,578,352	64,819,609	143,369,237	8,028,786	53,981	8,082,767	151,452,004
Derivative financial liabilities	12,813	-	-	12,813	-	-	-	12,813
Borrowings	107,621	-	1,101,284	1,208,905	1,397,167	4,030,816	5,427,983	6,636,888
Debt securities issued	-	-	-	-	8,576,459	-	8,576,459	8,576,459
Other financial liabilities	639,409	-	-	639,409	-	-	-	639,409
	<u>63,820,257</u>	<u>19,830,297</u>	<u>66,901,191</u>	<u>150,551,745</u>	<u>20,878,226</u>	<u>4,927,553</u>	<u>25,805,779</u>	<u>176,357,524</u>
Net position	<u>3,312,168</u>	<u>(12,789,746)</u>	<u>(34,159,956)</u>	<u>(43,637,534)</u>	<u>29,017,427</u>	<u>34,361,961</u>	<u>63,379,388</u>	<u>19,741,854</u>
Accumulated gap	<u>3,312,168</u>	<u>(9,477,578)</u>	<u>(43,637,534)</u>		<u>(14,620,107)</u>	<u>19,741,854</u>		

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Subtotal less than 12 months	From 1 to 5 years	More than 5 years	Subtotal over 12 months	Total
<b>Assets</b>								
Cash and cash equivalents	31,843,954	-	-	31,843,954	-	-	-	31,843,954
Amounts due from financial institutions	995,550	-	-	995,550	-	-	-	995,550
Derivative financial assets	3,086	-	-	3,086	-	-	-	3,086
Loans and advances to customers	22,535,590	16,833,869	30,615,659	69,985,118	39,824,897	25,317,877	65,142,774	135,127,892
Available for sale investments	21,460	-	372,867	394,327	4,878,803	8,318,901	13,197,704	13,592,031
Securities pledged under repurchase agreements	7,877,164	-	-	7,877,164	-	-	-	7,877,164
Other financial assets	196,951	-	-	196,951	-	-	-	196,951
	<u>63,473,755</u>	<u>16,833,869</u>	<u>30,988,526</u>	<u>111,296,150</u>	<u>44,703,700</u>	<u>33,636,778</u>	<u>78,340,478</u>	<u>189,636,628</u>
<b>Liabilities</b>								
Amounts due financial institutions	13,840,218	380,951	1,532,215	15,753,384	40,182	1,456,960	1,497,142	17,250,526
Amounts due customers	32,976,417	28,351,422	58,307,935	119,635,774	7,721,832	1,070,317	8,792,149	128,427,923
Derivative financial liabilities	9,993	-	-	9,993	-	-	-	9,993
Borrowings	10,082	1,233	6,155,191	6,166,506	77,505	8,500,553	8,578,058	14,744,564
Debt securities issued	-	-	2,643,711	2,643,711	2,495,649	-	2,495,649	5,139,360
Other liabilities	400,375	-	-	400,375	-	-	-	400,375
	<u>47,237,085</u>	<u>28,733,606</u>	<u>68,639,052</u>	<u>144,609,743</u>	<u>10,335,168</u>	<u>11,027,830</u>	<u>21,362,998</u>	<u>165,972,741</u>
Net position	<u>16,236,670</u>	<u>(11,899,737)</u>	<u>(37,650,526)</u>	<u>(33,313,593)</u>	<u>34,368,532</u>	<u>22,608,948</u>	<u>56,977,480</u>	<u>23,663,887</u>
Accumulated gap	<u>16,236,670</u>	<u>4,336,933</u>	<u>(33,313,593)</u>		<u>1,054,939</u>	<u>23,663,887</u>		

## 35 Risk management

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks.

Risk is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Bank's strategic planning process.

### *Board of Bank*

The Board is responsible for monitoring the overall risk management, approval of strategy and risk management principles.

### *Executive board*

The Executive board of the Bank is responsible for investment and control over the risk management procedures.

### *Risk Management Directorate*

The Risk Management Directorate is responsible for implementation of risk procedures and control over risk management principles, policy and the Bank's risk limits, as well as providing risk valuation and collection of overall information within the financial system.

### *Financial Directorate*

The Financial Directorate of the Bank is responsible for management of assets and liabilities of the Bank. It is also primarily responsible for the funding and liquidity risks of the Bank.

### *Internal audit*

Risk management processes throughout the Bank are audited annually by the internal audit that examines both the integrity of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

### *Risk measurement and reporting systems*

The Bank also runs worst case scenarios that would arise in the event that extreme events which are to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition the Bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks types and activities.

### *Risk mitigation*

As part of its overall risk management, the Bank uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions.

In order to avoid excessive concentrations of risks, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are managed accordingly.

## **35.1 Credit risk**

The Bank takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Bank's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The credit risk management and control are centralised in credit risk management team of Bank's Strategy and Risk Management Department and the Credit subdivision and are reported to the Board of Bank and the Executive board.

The carrying amounts of the Bank's financial assets best represent the maximum exposure to credit risk related to them, without taking account of any collateral held or other credit enhancements.



### 35.1.1 Credit quality analysis

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognized. The gross carrying amount of financial assets below also represents the Bank's maximum exposure to credit risk on these assets, without taking account of any collateral held or other credit enhancements. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

In thousand Armenian drams

	31 December 2018			31 December 2017
Internal rating grade	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit- impaired	Stage 3 Lifetime ECL credit- impaired	Total
<i>Cash and cash equivalents</i>				
High	7,792,909	-	-	7,792,909
Standard	24,291,883	-	-	24,291,883
Low	-	-	-	-
Non-performing	-	-	-	-
Gross carrying amount	32,084,792	-	-	32,084,792
Loss allowance	(35,785)	-	-	(35,785)
Net carrying amount	32,049,007	-	-	31,843,954
<i>Amounts due from financial institutions</i>				
High	-	-	-	-
Standard	13,054,560	-	-	13,054,560
Low	-	-	-	-
Non-performing	-	-	-	-
Gross carrying amount	13,054,560	-	-	13,054,560
Loss allowance	(71,113)	-	-	(71,113)
Net carrying amount	12,983,447	-	-	12,983,447
<i>Loans and advances to mortgage and consumer customers</i>				
High grade	61,866,169	-	-	61,866,169
Standard grade	4,051,372	1,174,471	-	5,225,843
Substandard grade	-	972,639	-	972,639
Non-performing grade	-	-	9,581,669	9,581,669
Gross carrying amount	65,917,541	2,147,110	9,581,669	77,646,320
Loss allowance	(1,063,745)	(248,389)	(4,451,150)	(5,763,284)
Net carrying amount	64,853,796	1,898,721	5,130,519	71,883,036
<i>Loans and advances to commercial customers</i>				
High grade	35,566,201	-	-	35,566,201
Standard grade	4,067,068	405,463	-	4,472,531
Substandard grade	1,227,708	151,491	-	1,379,199
Non-performing grade	-	-	29,290,370	29,290,370
Gross carrying amount	40,860,977	556,954	29,290,370	70,708,301
Loss allowance	(114,598)	(10,074)	(8,187,583)	(8,312,255)
Net carrying amount	40,746,379	546,880	21,102,787	62,396,046

*Debt investment securities at amortised cost (2017: held-to-maturity)*

High	-	-	-	-	-
Standard	12,930,826	-	-	12,930,826	-
Low	-	-	-	-	-
Non-performing	-	-	-	-	-
Gross carrying amount	12,930,826	-	-	12,930,826	-
Loss allowance	(108,038)	-	-	(108,038)	-
Net carrying amount	12,822,788	-	-	12,822,788	-

*Debt investment securities at FVOCI (2017: available-for-sale)*

High	-	-	-	-	-
Standard *	3,817,080	-	-	3,817,080	13,592,031
Low	-	-	-	-	-
Non-performing	-	-	-	-	-
	3,817,080	-	-	3,817,080	13,592,031

*Other financial assets*

High grade	-	-	-	-	-
Standard grade	147,712	-	-	147,712	209,658
Substandard grade	-	-	-	-	-
Non-performing grade	-	-	-	-	-
Gross carrying amount	147,712	-	-	147,712	209,658
Loss allowance	(523)	-	-	(523)	(12,707)
Net carrying amount	147,189	-	-	147,189	196,951

*Loan commitments and financial guarantee*

High grade	6,724,102	-	-	6,724,102	8,010,050
Standard grade	-	-	-	-	-
Substandard grade	-	-	-	-	-
Non-performing grade	-	-	-	-	-
	6,724,102	-	-	6,724,102	8,010,050
Loss allowance	(79,063)	-	-	(79,063)	-

Credit exposures arising from derivative transactions see note 17.

## 35.1.2 Impairment assessment

### *Policy applicable from 1 January 2018*

The references below show where the Bank's impairment assessment and measurement approach is set out in this report. It should be read in conjunction with the Summary of significant accounting policies (refer to note 4.4.6).

### *Significant increase in credit risk*

At each reporting date, The Bank assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Bank use the change in the risk of a

default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses.

The bank considers both quantitative and forward-looking qualitative criteria in order to assess whether a significant increase in credit risk has occurred.

However, when information that is more forward-looking than past due status (either on an individual or a collective basis) is not available without undue cost or effort, the Bank use past due information to determine whether there have been significant increases in credit risk since initial recognition.

### *Criteria for loans and advances to customers*

The criteria for Loans and advances to customers are presented in the following paragraphs. All presented criteria have the same weight in determining a significant increase in credit risk.

- 30 days past due. More than 30 days past due is an indicator of a significant increase in credit risk.
- Past due - other than 30 days. Significant increase in credit risk is considered when although at the reporting date, days past due are less than 30, during the last 6 months there was at least one case of more than 60 days past due.
- Relative change in 12-month PD. A significant change in 12-month PD is considered as factor of changes in lifetime PD. This is indicative of a significant increase in credit risk. This criterion is used when The Bank has an internal credit rating system.
- Relative change in lifetime PD. A significant change in lifetime PD is indicative of a significant increase in credit risk. This criterion is used when The Bank has an internal credit rating system
- Default ('stage 3') during the last 12 months. Significant increase in credit risk is considered when although at the reporting date the outstanding amount of the facility is not classified as default, during the last 12 months it was at least once in stage 3.
- Loans in the probation period. Significant increase in credit risk is considered in case of a forbore performing loan or forbore non-performing loan, which is in the probation period (period after cure period). wherein, the loan should not have overdue days of more than 30 days or any indication of an unlikelihood to pay.

### *Criteria for amounts due from financial institutions*

The criteria for credit institutions and other financial corporations are presented in the following paragraphs. All presented criteria have the same weight in determining a significant increase in credit risk.

- 30 days past due. More than 30 days past due is an indicator of a significant increase in credit risk.
- For correspondent and current accounts 7 days' pas due. More than 7 days past due is an indicator of a significant increase in credit risk.
- Past due - other than 30 days. Significant increase in credit risk is considered when although at the reporting date, days past due are less than 30, during the last 6 months there was at least one case of more than 60 days past due.
- Change notches external credit score/rate. For this criterion, the corporate rating will be taken into account. A significant change notches in the credit score assigned by the Big Three credit rating agencies (Standard & Poor's, Moody's, and Fitch) is indicative of a significant increase in credit risk. A significant increase in credit risk is taken into account when the S & P rating goes down each time by one level, started from B2 (S&P) (or the equivalent of Moody's and Fitch). In cases where a financials institutions don't have a corporate rating in a rating agency and the Bank does not have an equivalent internal rating system, the corporate default rate corresponding to sovereign rating of the country is taken into consideration.
- Relative change in 12-month PD. A significant change in 12-month PD is considered as factor of changes in lifetime PD. This is indicative of a significant increase in credit risk. This criterion is used when the Bank has an internal credit rating system.
- Relative change in lifetime PD. A significant change in lifetime PD is indicative of a significant increase in credit risk. This criterion is used when the Bank has an internal credit rating system
- Default ('stage 3') during the last 12 months. Significant increase in credit risk is considered when although at the reporting date the outstanding amount of the facility is not classified in default, during the last 12 months it was at least once in stage 3.

### *Criteria for Investment securities*

The criteria for securities are presented in the following paragraphs. All presented criteria have the same weight in determining a significant increase in credit risk.

- Relative change in 12-month PD. A significant change in 12-month PD is considered as factor of changes in lifetime PD. This is indicative of a significant increase in credit risk. This criterion is used when the Entity has an internal credit rating system.
- Relative change in lifetime PD. A significant change in lifetime PD is indicative of a significant increase in credit risk. This criterion is used when the Entity has an internal credit rating system
- Change notches external credit score/ rate. For this criterion, the country's rating will be taken into account government securities or corporate rating will be taken into account for corporate securities. A significant change notches in the credit score assigned by the Big Three credit rating agencies (Standard & Poor's, Moody's, and Fitch) is indicative of a significant increase in credit risk. A significant increase in credit risk is taken into account when the S & P rating goes down one level each time, beginning with B2 (S&P) (or the equivalent of Moody's and Fitch). In cases where an issuers of securities don't have a corporate rating in a rating agency and the Bank does not have an equivalent internal rating system, the corporate default rate corresponding to sovereign rating of the country is taken into consideration.

### *Exit criteria from significant deterioration stage*

If none of the indicators that are used by the Bank to assess whether significant increase in credit risk has occurred, is present, transfer from stage 2 to stage 1 is performed, with the exception of forbore loans for which a probation period is used.

### *Credit risk grades*

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative (primarily driven by days past due) factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

### *Collective or individual assessment*

The Bank calculates ECLs either on a collective or an individual basis. Asset classes where the Bank calculates ECL on an individual basis include:

- Individually significant loans of Stage 3, regardless of the class of financial assets
- The large and unique exposures
- The treasury, trading and interbank relationships such as due from Banks, Securities pledged under repurchase agreements and debt instruments at amortised cost/FVOCI
- Exposures that have been classified as POCI when the original loan was derecognised and a new loan was recognised as a result of a credit driven debt restructuring.

Those assets for which ECL does not calculated individually the bank groups into segment on the basis of shared credit risk characteristics as described below.

- Type of loan (for example, corporate, mortgage, credit card, consumer loan, etc.)
- The type of customer (for example, a physical person or legal entity or by industry type),
- Type of collateral (for example, property, receivables, etc.),
- Currency
- Other relevant characteristics.

### *Definition of default and cure*

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

The Bank considers interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- lawsuit, execution or enforced execution in order to collect debt,
- license of the borrower is withdrawn,
- the borrower is a co-debtor when the main debtor is in default,
- multiple restructurings on one exposure,
- there are justified concerns about a borrower's future ability to generate stable and sufficient cash flows,
- the borrower's overall leverage level has significantly increased or there are justified expectations of such changes to leverage; equity reduced by 50% within a reporting period due to losses;
- debt service coverage ratio indicates that debt is not sustainable
- loss of major customer or tenant,
- connected customer has filed for bankruptcy,
- restructuring with a material part which is forgiven (net present value (NPV) loss),
- credit institution or leader of consortium starts bankruptcy/insolvency proceedings

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least three consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition. The Bank's criterion for 'cure' for ECL purposes is less stringent than the 12 months' requirement for forbore non-performing exposures.

### *Forborne and modified loan*

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Bank considers a loan forbore when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Bank's policy to monitor forbore loans to help ensure that future payments continue to be likely to occur.

Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis.

The Bank defines the "cure" period as a 12-month period after forbearance, which is applied for forbore non-performing exposures. Given the fact that it is impossible to determine financial difficulties immediately after forbearance, it is necessary to use the "cure" period to determine whether the loan was effectively cured. All forbore non-performing loans must remain at stage 3 after the forbearance date, despite the behavior of the loan (no overdue days, etc.).

The Bank defines the probation period as 24-month period after "cure" period, which is applied for forbore performing exposures (excluding any grace period). Once an asset has been classified as forbore performing exposures, it will remain forbore for a minimum 24-month probation period.

In order for the loan to be reclassified out of the forbore category, the customer has to meet all of the following criteria:

- All of its facilities has to be considered performing
- The probation period of two years has passed from the date the forbore contract was considered performing
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period
- The customer does not have any contract that is more than 30 days past due.

If modifications are substantial, the loan is derecognised, as explained in note 4.4.4.

### *Probability of Default (PD)*

The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12mECL), or over the remaining lifetime (LTECLs) of the obligation.

The lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

### *Loss given default (LGD)*

LGD is determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price.

### *Exposure at default (EAD)*

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For products with contractual terms, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.
- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilization band, based on analysis of the Bank's recent default data.

### *Forward looking information*

An overview of the approach to estimating ECLs is set out in note 4.4.6, estimates and assumptions. To ensure completeness and accuracy, the Bank obtains the data used from third party sources (WB, CBA, Government of RA and etc.). In order to generate the influence of the macroeconomic factors, the Bank determining the weights to the selected macroeconomic factors and to the multiple scenarios (Base, Upside and Downside), which are predicted. To calculate the macroeconomic adjustment for ECL the Bank uses a wide range of forecast information as economic inputs for its models, including:

- GDP growth
- GDP (current LCU)
- Net current transfers from abroad
- Unemployment
- Bank nonperforming loans to total gross loans
- Trade growth
- Industry growth
- Construction growth
- Agriculture growth
- Official exchange rate
- Inflation
- Real estate prices (average price in Yerevan)

### *Impairment assessment policy applicable before 1 January 2018*

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Bank addresses impairment assessment into areas: individually assessed allowances and collectively assessed allowances.

### *Individually assessed allowances*

The Bank determines the allowances appropriate for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realizable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

### *Collectively assessed allowances*

Allowances are assessed collectively for losses on loans and advances that are not significant (including credit cards, residential mortgages and unsecured consumer lending) and for individually significant loans and advances where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is not yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration of the following information: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired.

Financial guarantees and letters of credit are assessed and provision made in a similar manner as for loans.

### *Loans and advances neither past due or impaired*

The table below shows the credit quality by class of asset for loans and advances neither past due or impaired, based on the historical counterparty default rates.

In thousand Armenian drams

2017

#### *Loans and advances to customers*

Industry	1%
Agriculture	1%
Construction	1%
Transportation	1.9%
Trade	1.5%
Service	1%
Consumer	3.6%
Mortgage	1%
Other	1%

As of 31 December 2017 the Bank has not had any losses on other financial assets bearing credit risk.

### *Past due but not impaired loans*

Past due loans and advances include those that are only past due by a few days. The majority of the past due loans are not considered to be impaired.

Analysis of past due loans by age and by class is provided below.

In thousand Armenian drams

31 December 2017

	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
Loans and advances to customers					
Industry	1,294,052	398,141	44,104	1,667,960	3,404,257
Agriculture	-	-	-	366,232	366,232
Construction	1,592	-	-	798,643	800,235
Transportation and communication	4,440	114,137	-	2,663,204	2,781,781
Trade	310,566	52,353	18,524	4,679,332	5,060,775
Service	64,531	5,286	2,496	1,460,619	1,532,932
Consumer	796,398	680,328	275,558	2,396,687	4,148,971
Mortgage	242,708	17,358	24,664	636,836	921,566
Other	-	-	494	2,728,697	2,729,191
Total	2,714,287	1,267,603	365,840	17,398,210	21,745,940

### 35.1.3 Risk concentrations

#### Geographical sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorized by geographical region as of 31 December.

In thousand Armenian drams

	Armenia	Other non-OECD countries	OECD countries	Total
Cash and cash equivalents	24,956,691	3,358,501	3,733,815	32,049,007
Amounts due from financial institutions	12,319,327	664,120	-	12,983,447
Derivative financial assets	-	-	785	785
Loans and advances to customers	122,217,949	2,481,767	9,579,366	134,279,082
Investment securities				
- Investment securities at fair value through other comprehensive income	3,817,080	-	-	3,817,080
- Investment securities at amortised cost	12,822,788	-	-	12,822,788
Other financial assets	147,189	-	-	147,189
As of 31 December 2018	176,281,024	6,504,388	13,313,966	196,099,378
As of 31 December 2017	178,215,710	6,175,807	5,245,111	189,636,628

Assets have been classified based on the country in which the counterparty is located.

#### Industry sectors

The Bank's main credit exposure as categorized by the industry sectors of the counterparties as of 31 December 2018 are concentrated in financial sector except for the loans. For the loan industry sector please see note 19.



### 35.1.4 Collateral and other credit enhancement

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

The main types of collateral obtained are, as follows:

- For securities lending and reverse repurchase transactions, cash or securities
- For commercial lending, charges over real estate properties, movable properties, equipment, inventory and trade receivables and, in special circumstances, government guarantees
- For consumer lending residential properties and other collateral.
- For mortgages over residential properties

The Bank also obtains guarantees from parent companies for loans to their subsidiaries. Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement.

Allowance for ECL on loans at the total amount of 30,461,699 thousand has not been recognized because of collaterals.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

The analysis of loan portfolio by collateral is represented as follows:

In thousand Armenian drams	31 December 2018	31 December 2017
Loans collateralized by real estate	77,735,979	70,670,551
Loans collateralized by movable property	8,603,791	6,386,071
Loans collateralized by goods in circulation	288,340	593,958
Loans collateralized by guarantees	4,076,125	5,616,929
Loans collateralized by cash	5,928,318	8,224,073
Loans collateralized by household appliances	21,519,423	19,080,000
Unsecured loans	30,202,645	30,313,194
Total loans and advances to customers (gross)	148,354,621	140,884,776

The amounts presented in the table above are carrying values of the loans, and do not necessarily represent the fair value of the collaterals. Estimates of market values of collaterals are based on valuation of the collateral at the date when loans were provided. Generally, they are not updated unless loans are assessed as credit-impaired.

## 35.2 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. The Bank classifies exposures to market risk into either trading or non-trading portfolios. The market risk for the trading portfolio is managed and monitored based on a VaR methodology which reflects the interdependency between risk variables. Non-trading positions are managed and monitored using other sensitivity analyses. Except for the concentrations within foreign currency, the Bank has no significant concentration of market risk.

## 35.2.1 Market risk – Non-trading

### Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board of Bank has established limits on the interest rate gaps for stipulated periods. Positions are monitored on a daily basis.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Bank's income statement.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2018. The sensitivity of equity is calculated by revaluating fixed rate available-for-sale financial assets, at 31 December 2018 for the effects of the assumed changes in interest rates.

The sensitivity of equity is analysed by maturity of the asset. The total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve, while the analysis by maturity band displays the sensitivity to non-parallel changes.

In thousand Armenian  
drams

31 December 2018

Currency	Change in basis points	Sensitivity of net interest income	Sensitivity of equity				Total
			Up to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	
AMD	+1	-	-	-	11,973	61,110	73,083
USD	+1	-	-	-	31,343	-	31,343
AMD	-1	-	-	-	(12,179)	(66,103)	(78,282)
USD	-1	-	-	-	(32,366)	-	(32,366)

In thousand Armenian  
drams

31 December 2017

Currency	Change in basis points	Sensitivity of net interest income	Sensitivity of equity				Total
			Up to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	
AMD	+1	-	-	-	61,232	85,518	147,750
USD	+1	(12,399)	-	-	-	-	(12,399)
AMD	-1	-	-	-	(63,928)	(93,360)	(157,288)
USD	-1	12,399	-	-	-	-	12,399

### Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Positions are monitored on a daily basis.

The tables below indicate the currencies to which the Bank had significant exposure at 31 December 2018 on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculated the effect of a reasonably possible movement of the currency rate against the Armenian dram, with all other variables held constant on the income statement (due to the fair value of currency sensitive non-trading monetary assets and

liabilities). A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase.

In thousand Armenian drams	31 December 2018		31 December 2017	
	Change in currency rate in %	Effect on profit before tax	Change in currency rate in %	Effect on profit before tax
Currency				
USD	+5	(50,878,720)	+5	(179,387)
EUR	+5	(1,424,050)	+5	53,240
USD	(5)	50,878,720	(5)	179,387
EUR	(5)	1,424,050	(5)	(53,240)

The Bank's exposure to foreign currency exchange risk is as follow:

In thousand Armenian drams	Armenian Dram	Freely convertible currencies	Non-freely convertible currencies	Total
<b>Assets</b>				
Cash and cash equivalents	18,727,353	12,780,032	541,622	32,049,007
Amounts due from financial institutions	261,451	12,721,996	-	12,983,447
Loans and advances to customers	72,864,398	58,424,199	2,990,485	134,279,082
Investment securities				
- Investment securities at fair value through other comprehensive income	2,086,866	1,730,214	-	3,817,080
- Investments securities at amortised cost	3,654,328	9,168,460	-	12,822,788
Other financial assets	147,189	-	-	147,189
Total	97,741,585	94,824,901	3,532,107	196,098,593
<b>Liabilities</b>				
Amounts due to financial institutions	3,565,370	5,474,564	17	9,039,951
Amounts due to customers	59,325,536	88,358,523	3,767,945	151,452,004
Borrowings	4,076,827	2,560,061	-	6,636,888
Debt securities issued	1,269,699	7,306,760	-	8,576,459
Other financial liabilities	638,446	963	-	639,409
Total	68,875,878	103,700,871	3,767,962	176,344,711
Total effect of derivative financial instruments	(12,761)	15,255	(14,522)	(12,028)
Net position as of 31 December 2018	28,852,946	(8,860,715)	(250,377)	19,741,854
Commitments and contingent liabilities as of 31 December 2018	3,243,348	3,480,754	-	6,724,102
Total financial assets	100,990,865	84,579,820	4,062,857	189,633,542
Total financial liabilities	73,753,921	89,054,037	3,154,790	165,962,748
Total effect of derivative financial instruments	(2,770,514)	1,979,365	784,242	(6,907)
Net position as of 31 December 2017	24,466,430	(2,494,852)	1,692,309	23,663,887
Commitments and contingent liabilities As of 31 December 2017	2,041,709	5,968,341	-	8,010,050

Freely convertible currencies represent mainly US dollar amounts, but also include currencies from other OECD countries. Non-freely convertible amounts relate to currencies of CIS countries, excluding Republic of Armenia.

### 35.3 Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily bases. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Bank maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Bank also has committed lines of credit that it can access to meet liquidity needs. In addition, the Bank maintains an obligatory minimum reserve deposits with the Central Bank of Armenia equal to 2% of certain obligations of the Bank denominated in Armenian drams and 18% on certain obligations of the Bank denominated in foreign currency. Refer to note 16. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank.

The liquidity management of the Bank requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans and monitoring balance sheet liquidity ratios against regulatory requirements. The Bank calculates liquidity ratios in accordance with the requirement of the Central Bank of Armenia.

As of 31 December, these ratios were as follows:

	Unaudited	
	31 December 2018, %	31 December 2017, %
N21- Total liquidity ratio (Highly liquid assets/ Total assets)	26.87	25.27
H22- Current liquidity ratio (Highly liquid assets /liabilities on demand)	107.07	272.67

The table below summarises the maturity profile of the Bank's financial liabilities at 31 December 2018 based on contractual undiscounted repayment obligations. See note 34 for the expected maturities of these liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

Analysis of financial liabilities by remaining contractual maturities.

	31 December 2018					Total
	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	
<i>Non-derivative financial liabilities</i>						
Amounts due to financial institutions	4,091,079	254,135	1,026,724	3,740,023	1,249,092	10,361,053
Amounts due to customers	59,010,872	19,781,588	67,504,794	9,577,501	119,856	155,994,611
Borrowings	107,806	-	1,133,599	2,147,945	6,204,338	9,593,688
Debt securities issued	-	132,535	397,605	9,255,412	-	9,785,552
Other financial liabilities	639,409	-	-	-	-	639,409
Total undiscounted non-derivative financial liabilities	63,849,166	20,168,258	70,062,722	24,720,881	7,573,286	186,374,313

In thousand Armenian drams

31 December 2018

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total
<i>Derivative financial liabilities</i>						
Foreign exchange forward contracts						
Inflow	613,240	-	-	-	-	613,240
Outflow	(612,455)	-	-	-	-	(612,455)
Foreign exchange swap contracts						
Inflow	2,660,308	-	-	-	-	2,660,308
Outflow	(2,673,121)	-	-	-	-	(2,673,121)
<i>Commitments and contingent liabilities</i>	149,412	626,172	1,167,511	2,629,007	2,152,000	6,724,102

In thousand Armenian  
drams

31 December 2017

	Demand and less than 1 month	From 1 to 3 months	From 1 to 3 months	From 1 to 5 years	More than 5 years	Total
<i>Financial liabilities</i>						
Amounts due to financial	13,843,955	385,089	1,618,942	48,741	2,145,763	18,042,490
Amounts due to	33,022,155	28,665,039	60,561,755	9,534,664	1,699,311	133,482,924
Borrowings	10,082	1,243	6,646,761	86,149	12,715,788	19,460,023
Debt securities issued	-	-	2,855,207	3,094,605	-	5,949,812
Other financial liabilities	400,375	-	-	-	-	400,375
Total discounted financial liabilities	47,276,567	29,051,371	71,682,665	12,764,159	16,560,862	77,335,624
<i>Derivative financial liabilities</i>						
<i>Foreign exchange swap contracts</i>						
Inflow	2,763,898	-	-	-	-	2,763,898
Outflow	(2,770,805)	-	-	-	-	(2,770,805)
<i>Commitments and contingent liabilities</i>	558,822	476,502	1,765,339	5,209,387	-	8,010,050

The Bank has a significant cumulative maturity mismatch of the assets and liabilities up to one year. Refer to note 34. This liquidity mismatch arises due to the fact that the major source of finance for the Bank as at 31 December 2018 was customer deposits maturing in up to one year. Management believes that in spite of a substantial portion of customer accounts with maturity up to one year, the past experience of the Bank indicates that these deposits provide a long-term and stable source of finance for the Bank.

## 35.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Risk Management department, Board, Executive Management. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements, including the minimal requirements of the Central Bank of Armenia on internal control system;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation.

Compliance with Bank standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the Bank to which they relate, with summaries submitted to the Board.

## 36 Reconciliation of liabilities arising from financing activities

The changes in the Bank's liabilities arising from financing activities can be classified as follows:

In thousand Armenian  
drams

31 December 2018

	Amounts due to financial institutions	Borrowings	Debt securities issued	Dividends payable	Total
As of 1 January 2018	17,250,526	14,744,564	5,139,360	-	37,134,450
<i>Cash-flows</i>	<i>(9,303,169)</i>	<i>(8,066,728)</i>	<i>3,446,491</i>	<i>(160,050)</i>	<i>(14,083,456)</i>
Repayments	(673,322,533)	(25,863,834)	(5,493,738)	(160,050)	(704,840,155)
Proceeds	664,019,364	17,797,106	8,940,229	-	690,756,699
<i>Non-cash</i>	<i>1,092,594</i>	<i>(40,948)</i>	<i>(9,392)</i>	<i>382,313</i>	<i>1,424,567</i>
Foreign exchange	318	(60,118)	(46,960)	-	(106,760)
Accrued interest	1,092,276	19,170	37,568	-	1,149,014
Accrual of dividends	-	-	-	382,313	382,313
As of 31 December 2018	9,039,951	6,636,888	8,576,459	222,263	24,475,561

In thousand Armenian  
drams

31 December 2017

	Amounts due to financial institutions	Borrowings	Debt securities issued	Dividends payable	Total
As of 1 January 2017	5,042,688	13,260,387	2,652,531	-	20,955,606
<i>Cash-flows</i>	<i>10,432,480</i>	<i>1,366,159</i>	<i>2,465,424</i>	<i>(160,051)</i>	<i>14,104,012</i>
Repayments	(140,507,859)	(33,378,724)	(1,728,402)	(160,051)	(175,775,03)
Proceeds	150,940,339	34,744,883	4,193,826	-	189,879,04
<i>Non-cash</i>	<i>1,775,358</i>	<i>118,018</i>	<i>21,405</i>	<i>160,051</i>	<i>2,074,832</i>
Foreign exchange	(50,522)	(89,222)	(21,405)	-	(161,149)
Accrued interest	1,825,880	207,240	42,810	-	2,075,930
Accrual of dividends	-	-	-	160,051	160,051
As of 31 December 2017	17,250,526	14,744,564	5,139,360	-	37,134,450

## 37 Capital adequacy

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios") and adopted by the Central Bank of Armenia in supervising the Bank.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

The minimum ratio between total capital and risk weighted assets required by the Central Bank of Armenia is 12%.

Regulatory capital consists of Tier 1 capital, which comprises share capital, retained earnings including current year profit, and general reserve. Regulatory capital is calculated in accordance with the requirements of the Central Bank of Armenia and accounting standards of the Republic of Armenia. The other component of regulatory capital is Tier 2 capital, which includes revaluation reserves and subordinated debt.

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of and reflecting an estimate of credit, market and operating risks.

As of 31 December 2018 and 2017 the amount of regulatory capital, risk weighted assets and capital adequacy ratio calculated in accordance with the requirements of Central Bank of Armenia are provided below.

In thousand Armenian drams	Unaudited	
	31 December 2018	31 December 2017
Tier 1 capital	27,813,124	28,463,986
Tier 2 capital	2,771,843	2,820,403
Total regulatory capital	30,584,967	31,284,389
Risk-weighted assets	210,205,959	183,593,833
Capital adequacy ratio	14.55%	17.04%

The Bank has complied with all externally imposed capital requirements through the period.

With the aim to enhance the efficiency of the banking system activity, strengthening the ability to resist the shocks in different economic situations, as well as providing more efficient and available banking services, in 2015 the Board of RA Central Bank decided to establish the minimum size of total capital at 30,000,000 thousand Armenian drams for the banks, as of 1 January 2017 and after that period.

## 38 Segment reporting

The Bank's operations are highly integrated and constitute a single operating segment for the purposes of IFRS 8 "Operating Segments".

The majority of income from external customers relates to residents of the Republic of Armenia. No single customer exists from which the Bank earned 10% or more of its revenue.

The majority of non-current assets are located in the Republic of Armenia.



Консолидированный отчет о финансовых результатах  
О прибылях и убытках банка  
31.03.2019г.

"ЮНИБАНК" ОАО РА г. Ереван, 0010, ул. Чаренца 12-53,

(название и местонахождение банка)

(тыс. драм)

Наименование	Примечан ия	Отчетный период текущего года 01.01.19_31.03.19	С начала года по отчетный период текущего года 01.01.18_31.03.18 (аудированный)
Процентные и подобные доходы	3	4,775,254	5,491,431
Процентные и подобные расходы	3	(2,285,342)	(2,546,745)
<b>Чистые процентные доходы</b>		<b>2,489,912</b>	<b>2,944,686</b>
Комиссионные и прочие подобные доходы	4	632,827	281,759
Комиссионные и прочие подобные расходы	4	(138,949)	(90,159)
<b>Чистые комиссионные и прочие платежи</b>		<b>493,878</b>	<b>191,600</b>
Полученные дивиденды от инвестиций			
Чистая прибыль от коммерческих операций	5	300,162	144,280
Прочий операционный доход	6	160,079	256,786
<b>Операционный доход</b>		<b>3,444,031</b>	<b>3,537,352</b>
Чистые отчисления в фонд возможных потерь активов	7	(1,173,659)	(1,299,551)
Общие административные расходы	8	(1,071,002)	(888,778)
Прочие операционные расходы	9	(1,019,593)	(808,421)
Чистая прибыль/(убыток) от инвестиций в контролируемые объединен	10		
<b>Прибыль/(убыток) до налогообложения</b>		<b>179,777</b>	<b>540,602</b>
Расходы по налогу на прибыль	11	(36,106)	(112,779)
<b>Прибыль/(убыток) после налогообложения</b>		<b>143,671</b>	<b>427,823</b>

Дата утверждения отчета  
М.П.

12/04/2019г.



Председатель  
Правления банка -  
Исполнительный  
директор  
Месроп Акопян

Главный бухгалтер  
Гоар Григорян

# Консолидированный отчет о прочих совокупных результатах

31.03.2019г.

"ЮНИБАНК" ОАО РА г. Ереван, 0010, ул. Чаренца 12-53,

(название и местонахождение банка)

(тыс. драм)

Наименование	Отчетный период текущего года 01.01.19_31.03.19	Отчетный период прошлого года 01.01.18_31.03.18
<b>Прочий совокупный финансовый результат</b>		
Курсовая разница от пересчета иностранных операций		
Переоценка, доступных для продажи финансовых активов	(80,735)	(40,006)
Хеджирование денежных потоков		
Доходы от переоценки на текущих активов	(28,773)	(9,203)
Налог на прибыль от прочих совокупных доходов	21,902	9,842
<b>Прочий совокупный финансовый результат после налогообложения</b>	<b>(87,606)</b>	<b>(39,367)</b>
<b>Совокупный финансовый результат</b>	<b>56,065</b>	<b>388,456</b>

Дата утверждения отчета 12/04/2019г



Председатель  
Правления банка -  
Исполнительный  
директор  
**Месроп Акопян**

Главный бухгалтер  
**Гоар Григорян**



**Отчет**  
**О финансовом состоянии банка**

31.03.2019г.

**"ЮНИБАНК" ОАО РА г. Ереван, 0010, ул. Чаренца 12-53,**

(название и местонахождение банка)

Наименование	Примечания	Отчетный период текущего года за 31.03.2019	Отчетный период прошлого года за 31.03.2018 (аудированный)
<b>Активы</b>			
Денежные средства и остатки в ЦБ РА	13	34,770,669	32,049,007
Требования к банкам и к прочим финансовым организациям	14	12,622,585	12,983,447
Производные финансовые активы	14.1		785
Кредиты и прочие займы предоставленные клиентам	16	132,628,012	134,279,082
Финансовые активы, предназначенные для продажи	17	3,758,656	3,817,080
Инвестиции, хранящиеся до погашения	18	13,801,058	12,822,788
Право использования арендуемых активов		824,448	
Основные средства и нематериальные активы	20	10,201,463	10,178,397
Отложенный налоговый актив	11		
Предоплаченный налог на прибыль	21.1		
Прочие активы	21	3,811,896	3,669,102
<b>Итого Активов</b>		<b>212,418,787</b>	<b>209,799,688</b>
<b>Обязательства</b>			
Обязательства к банкам и прочим финансовым организациям	22	14,646,114	9,039,951
Производные финансовые обязательства	22.1	10,645	12,813
Обязательства к клиентам	23	147,361,466	1,514,452,004
Субординированная задолженность	23.1	5,691,509	6,636,888
Обязательства по арендуемым активам	27.1	831,300	
Выпущенные банком ценные бумаги	24	8,683,561	8,576,459
Обязательства по текущему налогу	27	109,745	60,495
Отложенные налоговые обязательства	11	513,439	526,585
Резервы	30	74,635	79,061
Прочие обязательства	27	1,898,439	866,988
<b>Итого Обязательства</b>		<b>179,820,853</b>	<b>177,251,244</b>
<b>Капитал</b>			
Уставный капитал	28	20,489,653	20,489,652
Эмиссионный доход		9,605,638	9,605,639
Резервы		1,600,211	1,687,816
Главный резерв		448,299	448,298
Фонд переоценки		1,151,912	1,239,518
Нераспределенная прибыль (убыток)		907,200	765,337
Прочие элементы капитала			
Капитал, принадлежащий материнской организации			
Доля меньшинства			
<b>Итого капитал</b>		<b>32,602,702</b>	<b>32,548,444</b>
<b>Итого капитал и обязательства</b>		<b>212,423,555</b>	<b>209,799,688</b>

Дата утверждения отчета: 12/04/2019г.  
М.П.



Председатель  
Правления банка -  
Исполнительный  
директор  
Месроп Акопян

Главный бухгалтер  
Гоар Григорян



Консолидированный отчет об изменении собственного капитала

"31" марта 2019

ОАО "Юнибанк" (г. Ереван, Чаренца 12-53)

(название и местонахождение банка)

(тыс. драм РА)

Наименование элементов собственного капитала	Уставный капитал			Эмиссионная прибыль/убыток	Главный резерв	Курсовая разница от пересчета по иностранным операциям	Переоценка финансовых активов доступных для продажи	Хеджирование денежных средств	Доходы от переоценки основных средств	Налог на прибыль по прочим всеобъемлющим доходам	Нераспределенная прибыль/убыток	Всего	Неконтролируемая доля	Всего
	1	2	3											
Статьи	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Аналогичный период предыдущего финансового года (с начала года по нарастающей) (I ТАБЛИЦА)														
1. Остаток на начало предыдущего периода 01 января 2018г	20,489,653	-	20,489,653	9,605,638	426,482	-	24,275	-	1,469,083	3,572,712	-	-	-	35,587,843
1.1. Общий результат изменений в политике бухгалтерского учета банка исправление существенных ошибок										(3,414,985)				(3,414,985)
2. Скорректированный остаток	20,489,653	-	20,489,653	9,605,638	426,482	-	24,275	-	1,469,083	157,727	-	-	-	32,172,858
3. Сделки с акционерами (собственниками) по части акций (долей) в том числе:														-
3.1. Вложения в уставный капитал и прочий рост уставного капитала														-
4. Совокупный доход														-
5. Дивиденды														-
6.1. Прирост/снижение классифицированных производных инструментов как инструменты собственного капитала														-
7. Внутренние движения, в том числе:														-
7.1. Отчисления в главный резерв							(32,005)		(7,362)	427,824				388,457
7.2. Пополнение накопленных потерь за счет Главного резерва														-
7.3. Покрyтие эмиссионных потерь														-
7.4. Прирост/снижение стоимости основных средств и нематериальных активов в результате переоценки									(7,362)					(7,362)
7.5. Внутреннее движение прочих элементов собственного капитала							(32,005)			427,824				395,819
8. Остаток на конец прошедшего периода на 31 марта 2018г	20,489,653	-	20,489,653	9,605,638	426,482	-	(7,730)	-	1,461,721	585,551	-	-	-	32,561,315

Аналогичный период текущего финансового года (с начала года по нарастающей) (II ТАБЛИЦА)													
9. Остаток на начало предыдущего периода 01 января 2019г	20,489,653	-	20,489,653	9,605,638	448,298	-	(255,830)	-	1,495,348	765,337	-	-	33,038,359
9.1. Общий результат изменений в политике бухгалтерского учета банка исправление существенных ошибок													
10. Скорректированный остаток	20,489,653	-	20,489,653	9,605,638	448,298	-	(255,830)	-	1,495,348	765,337	-	-	32,548,444
11. Сделки с акционерами (собственниками) по части акций (долей) в том числе:													
11.1. Вложения в уставный капитал и прочий рост уставного капитала													-
12. Другой совокупный доход													-
13. Дивиденды													-
14.1. Приrost/снижение классифицированных производных инструментов как инструменты собственного капитала										(1,807)			(1,807)
15. Внутренние движения, в том числе:							(64,588)		(23,018)	143,670			-
15.1. Отчисления в главный резерв													-
15.2. Пополнение накопленных потерь за счет Главного резерва													56,064
15.3. Покрытие эмиссионных потерь													-
15.4. Приrost/снижение стоимости основных средств и нематериальных активов в результате переоценки									(23,018)				(23,018)
15.5. Внутреннее движение прочих элементов собственного капитала							(64,588)			143,670			79,082
16. Остаток на конец прошедшего периода на 31 марта 2019г	20,489,653	-	20,489,653	9,605,638	448,298	-	(320,418)	-	1,472,330	907,200	-	-	32,602,701



Председатель Правления банка  
Исполнительный директор  
Месроп Акопян  
Главный бухгалтер  
Гоар Григорян

Дата утверждения отчета 12/04/2019г

М.П.



# Консолидированный отчет о движении денежных средств

О прибылях и убытках банка

31.03.2019г.

"ЮНИБАНК" ОАО РА г. Ереван, 0010, ул. Чаренца 12-53.

(название и местонахождение банка)

Наименование	Примечания	Отчетный период прошлого года за 31.03.2018	Отчетный период текущего года за 31.03.2019
<b>1. Денежные средства от операционной деятельности</b>		x	x
<b>Денежные средства, полученные от операционной прибыли до изменений в операционных активах и обязательствах</b>		2,176,836	2,475,240
Проценты полученные		5,000,796	4,462,439
Проценты уплаченные		(3,123,436)	(2,064,505)
Комиссии полученные		275,815	659,781
Комиссии уплаченные		(90,159)	(138,949)
Доход/убыток от финансовых активов для коммерческих целей		456,520	314,358
Доходы, полученные по валютно-обменным операциям		168,637	313,140
Возмещение ранее списанных кредитов		684,459	692,607
Выплаты денежных средств сотрудникам		(875,471)	(1,051,423)
Прочие доходы и расходы от операционной деятельности		(320,325)	(712,208)
<b>Движение денежных средств от изменения в операционных активах и обязательствах</b>		421,748	2,027,212
Чистый (прирост)/снижение по оперативным активам		1,601,777	146,379
в том числе			
(прирост)/снижение по кредитам и прочим займам		(2,808,658)	(1,306,567)
Чистый прирост/(снижение) по торговым обязательствам		4,563,665	757,737
Прирост/(снижение) ожидаемых сумм от финансового лизинга			
Чистый (прирост)/снижение по прочим оперативным активам		(153,230)	695,209
Чистый (прирост)/снижение по оперативным обязательствам		(1,180,029)	1,656,763
в том числе			
(прирост)/снижение по средствам клиентов		(1,565,275)	3,804,980
Чистый (прирост)/снижение по прочим оперативным обязательствам		385,246	(2,148,217)
<b>Чистые денежные средства, полученные от операционной деятельности, до налогообложения</b>		2,598,584	4,502,452
Уплаченный налог на прибыль			(4,768)
<b>Чистые денежные средства, полученные от операционной деятельности</b>		2,598,584	4,497,684
<b>2. Денежные средства от инвестиционной деятельности</b>		x	x
Чистый (прирост)/снижение в УК прочих организаций			(1,221,949)
Чистый (прирост)/снижение в инвестициях до погашения			323,688
Чистый (прирост)/снижение в размещенных депозитах других банков			(99,602)
Чистый (прирост)/снижение по кап. вложениям в основные средства и нематериальные активы		(18,500)	(44,353)
Покупка основных средств и нематериальных активов		(373,538)	106,813
Продажа основных средств и нематериальных активов		7,555	(340,603)
Чистый (прирост)/снижение от прочей инвестиционной деятельности		(7,936)	(1,276,006)
<b>Чистое движение денежных средств от инвестиционной деятельности</b>		(392,419)	(1,276,006)
<b>3. Денежные средства от финансовой деятельности</b>		x	x
Дивиденды уплаченные			(224,070)
Чистый (прирост)/снижение полученных от ЦБ РА займов		(569,281)	(373,233)
Чистый прирост/(снижение) денежных средств прочих банков		(3,872,799)	
Чистый прирост/(снижение) по прочим займам		(610,910)	107,102
Чистый прирост/(снижение) по ценным бумагам, выпущенным банком		2,621,017	
Увеличение уставного капитала			
Чистый прирост/(снижение) средств, полученных по операциям фин. лизинга			
Чистые денежные средства от прочей финансовой деятельности			(490,201)
<b>Чистые денежные потоки от финансовой деятельности</b>		784,892	(160)
Влияние изменений обменного курса на денежные средства и их эквиваленты		559,084	2,731,317
<b>Чистый прирост денежных средств и их эквивалентов</b>		31,843,954	32,049,007
Денежные средства и их эквиваленты на начало года	13 2	32,403,038	34,780,324
Денежные средства и их эквиваленты на конец года	13 2		

Дата утверждения отчета  
М.П.

12/04/2019г





**Консолидированный отчет о финансовых результатах**  
О прибылях и убытках банка  
30.06.2019г.

**"ЮНИБАНК" ОАО** РА г. Ереван, 0010, ул. Чаренца 12-53.  
(название и местонахождение банка)

Наименование	Примечание	Отчетный период текущего года 01.04.19_30.06.19	С начала года по отчетный период текущего года 01.01.19_30.06.19	Соответствующий период прошлого года 01.04.18_30.06.18 (аудированный)	Отчетный период прошлого года 01.01.18_30.06.18 (аудированный)
Процентные и подобные доходы	3	4,763,319	9,538,573	5,418,553	10,909,984
Процентные и подобные расходы	3	(2,317,510)	(4,602,852)	(2,341,013)	(4,887,758)
<b>Чистые процентные доходы</b>		<b>2,445,809</b>	<b>4,935,721</b>	<b>3,077,540</b>	<b>6,022,226</b>
Комиссионные и прочие подобные доходы	4	714,249	1,347,076	309,461	591,220
Комиссионные и прочие подобные расходы	4	(134,319)	(273,268)	(94,929)	(185,088)
<b>Чистые комиссионные и прочие платежи</b>		<b>579,930</b>	<b>1,073,808</b>	<b>214,532</b>	<b>406,132</b>
Полученные дивиденды от инвестиций					
Чистая прибыль от коммерческих операций	5	394,847	695,009	183,782	328,062
Прочий операционный доход	6	247,913	407,992	295,940	552,726
<b>Операционный доход</b>		<b>3,668,499</b>	<b>7,112,530</b>	<b>3,771,794</b>	<b>7,309,146</b>
Чистые отчисления в фонд возможных потерь активов	7	(1,162,828)	(2,336,487)	(1,676,690)	(2,976,241)
Общие административные расходы	8	(1,054,730)	(2,125,732)	(1,023,104)	(1,911,882)
Прочие операционные расходы	9	(1,035,358)	(2,054,951)	(831,166)	(1,639,587)
Чистая прибыль/(убыток) от инвестиций в контролируемые объединения	10				
<b>Прибыль/(убыток) до налогообложения</b>		<b>415,583</b>	<b>595,360</b>	<b>240,834</b>	<b>781,436</b>
Расходы по налогу на прибыль	11	(26,059)	(62,165)	(41,714)	(154,493)
<b>Прибыль/(убыток) после налогообложения</b>		<b>389,524</b>	<b>533,195</b>	<b>199,120</b>	<b>626,943</b>

Дата утверждения отчета 12/07/2019г

Председатель  
Правления банка -  
Исполнительный  
директор  
**Месроп Акопян**

М.П.

Главный бухгалтер  
**Гоар Григорян**



# Консолидированный отчет о прочих совокупных результатах

30.06.2019г.

"ЮНИБАНК" ОАО РА г. Ереван, 0010, ул. Чаренца 12-53.

(название и местонахождение банка)

(тыс. драм)

Наименование	Отчетный период текущего года 01.01.19_30.06.19	Отчетный период прошлого года 01.01.18_30.06.18
<b>Прочий совокупный финансовый результат</b>		
Курсовая разница от пересчета иностранных операций		
Переоценка, доступных для продажи финансовых активов	3,323	(164,244)
Хеджирование денежных потоков		
Доходы от переоценки на текущих активов	(28,773)	
Налог на прибыль от прочих совокупных доходов	5,090	32,849
<b>Прочий совокупный финансовый результат после налогообложения</b>	<b>(20,360)</b>	<b>(131,395)</b>
<b>Совокупный финансовый результат</b>	<b>512,835</b>	<b>495,548</b>

Дата утверждения отчета 12/07/2019г



Председатель  
Правления банка -  
Исполнительный  
директор  
**Месроп Акопян**

Главный бухгалтер  
**Гоар Григорян**



**Отчет**  
О финансовом состоянии банка

30.06.2019г.

**"ЮНИБАНК" ОАО РА г. Ереван, 0010, ул. Чаренца 12-Б**

(название и местонахождение банка)

Наименование	Примечания	Отчетный период текущего года за 30.06.2019	Отчетный период прошлого года за 31.12.2018 (аудированный)
<b>Активы</b>			
Денежные средства и остатки в ЦБ РА	13	39,589,815	32,049,007
Требования к банкам и к прочим финансовым организациям	14	15,026,228	12,983,447
Производные финансовые активы	14.1		785
Кредиты и прочие займы предоставленные клиентам	16	135,099,245	134,279,082
Финансовые активы, предназначенные для продажи	17	5,426,399	3,817,080
Инвестиции, хранящиеся до погашения	18	11,709,130	12,822,788
Право использования арендуемых активов	21.2	1,156,242	
Основные средства и нематериальные активы	20	10,302,234	10,178,397
Отложенный налоговый актив	11		
Предоплаченный налог на прибыль	21.1	141,769	
Прочие активы	21	4,094,273	3,669,102
<b>Итого Активов</b>		<b>222,545,335</b>	<b>209,799,688</b>
<b>Обязательства</b>			
Обязательства к банкам и прочим финансовыми организациями	22	11,813,453	9,039,951
Производные финансовые обязательства	22.1	10,824	12,813
Обязательства к клиентам	23	160,328,410	151,452,004
Субординированная задолженность	23.1	5,778,032	6,636,888
Обязательства по арендуемым активам	27.1	1,172,310	
Выпущенные банком ценные бумаги	24	8,998,481	8,576,459
Обязательства по текущим налогам	27	130,199	60,495
Отложенные налоговые обязательства	11	451,119	526,585
Прочие обязательства	27	803,034	946,049
<b>Итого Обязательства</b>		<b>189,485,862</b>	<b>177,251,244</b>
<b>Капитал</b>			
Уставный капитал	28	20,489,653	20,489,652
Эмиссионный доход		9,605,638	9,605,639
Резервы		1,728,034	1,687,816
Главный резерв		508,876	448,298
Фонд переоценки		1,219,158	1,239,518
Нераспределенная прибыль (убыток)		1,236,148	765,337
Прочие элементы капитала			
Капитал, принадлежащий материнской организации			
Доля меньшинства			
<b>Итого капитал</b>		<b>33,059,473</b>	<b>32,548,444</b>
<b>Итого капитал и обязательства</b>		<b>222,545,335</b>	<b>209,799,688</b>

Председатель Правления банка - Исполнительный директор  
Месроп Акопян

Главный бухгалтер

Дата утверждения отчета

Гоар Григорян

12/07/2019г.





# Консолидированный отчет о движении денежных средств

О прибылях и убытках банка

30.06.2019г.

"ЮНИБАНК" ОАО РА г. Ереван, 0010, ул. Чаренца 12-53,

(название и местонахождение банка)

Наименование	Примечания	Отчетный период прошлого года за 30.06.2018	Отчетный период текущего года за 30.06.2019
<b>1. Денежные средства от операционной деятельности</b>		x	x
<b>Денежные средства, полученные от операционной прибыли до изменений в операционных активах и обязательствах</b>		4,314,382	4,624,815
Проценты полученные		9,126,116	8,873,531
Проценты уплаченные		(4,715,887)	(4,532,643)
Комиссии полученные		591,219	1,389,021
Комиссии уплаченные		(185,088)	(273,268)
Доход/убыток от финансовых активов для коммерческих целей		784,708	667,519
Доходы, полученные по валютно-обменным операциям		429,030	630,749
Возмещение ранее списанных кредитов		737,222	1,186,750
Выплаты денежных средств сотрудникам		(1,778,630)	(2,062,351)
Прочие доходы и расходы от операционной деятельности		(674,308)	(1,254,493)
<b>Движение денежных средств от изменения в операционных активах и обязательствах</b>		(1,649,829)	3,506,056
Чистый (прирост)/снижение по оперативным активам		4,800,203	(4,597,720)
с		140,678	(4,998,326)
Чистый прирост/(снижение) по торговым обязательствам		5,895,367	419,406
Прирост/(снижение) ожидаемых сумм от финансового лизинга			
Чистый (прирост)/снижение по прочим оперативным активам		(1,235,842)	(18,800)
Чистый (прирост)/снижение по оперативным обязательствам		(6,450,032)	8,103,776
в том числе			
(прирост)/снижение по средствам клиентов		(5,000,475)	10,349,834
Чистый (прирост)/снижение по прочим оперативным обязательствам		(1,449,557)	(2,246,058)
<b>Чистые денежные средства, полученные от операционной деятельности, до налогообложения</b>		2,664,553	8,130,871
Уплаченный налог на прибыль		(34,830)	(202,737)
<b>Чистые денежные средства, полученные от операционной деятельности</b>		2,629,723	7,928,134
<b>2. Денежные средства от инвестиционной деятельности</b>		x	x
Чистый (прирост)/снижение в УК прочих организаций			(997,819)
Чистый (прирост)/снижение в инвестициях до погашения			
Чистый (прирост)/снижение в размещенных депозитах других банков			(2,000,321)
Чистый (прирост)/снижение по кап. вложениям в основные средства и нематериальные активы		(65,309)	(183,839)
Покупка основных средств и нематериальных активов		(499,659)	(225,879)
Продажа основных средств и нематериальных активов		231,320	46,070
Чистый (прирост)/снижение от прочей инвестиционной деятельности		(297,078)	(298,614)
<b>Чистое движение денежных средств от инвестиционной деятельности</b>		(630,726)	(3,660,402)
<b>3. Денежные средства от финансовой деятельности</b>		x	x
Дивиденды уплаченные			(224,070)
Чистый (прирост)/снижение полученных от ЦБ РА займов		(539,593)	(256,716)
Чистый прирост/(снижение) денежных средств прочих банков		(908,320)	3,500,000
Чистый прирост/(снижение) по прочим займам		(608,850)	
Чистый прирост/(снижение) по ценным бумагам, выпущенным банком		180,480	422,022
Увеличение уставного капитала			
Чистый прирост/(снижение) средств, полученных по операциям фин. лизинга			
Чистые денежные средства от прочей финансовой деятельности			
<b>Чистые денежные потоки от финансовой деятельности</b>		(1,876,283)	3,441,236
Влияние изменений обменного курса на денежные средства и их эквиваленты		(191,525)	(89,414)
<b>Чистый прирост денежных средств и их эквивалентов</b>		(68,811)	7,619,554
Денежные средства и их эквиваленты на начало года	13 2	31,843,954	32,049,007
Денежные средства и их эквиваленты на конец года	13 2	31,775,143	39,668,561

Председатель Правления банка - Исполнительный директор

Месроп Акопян

Главный бухгалтер

Гоар Григорян

Дата утверждения отчета

14/01/2019г



## (название и местонахождение банка)

(тыс. драм РА)

Аналогичный период текущего финансового года (с начала года по нарастающей) (II ТАБЛИЦА)													
9. Остаток на начало предыдущего периода 01 января 2019 года	20,489,653	-	20,489,653	9,605,638	448,298	-	(255,830)	-	1,495,348	765,337	-	-	32,548,444
9.1. Общий результат изменений в политике бухгалтерского учета банка исправление существенных ошибок													
10. Скорректированный остаток	20,489,653	-	20,489,653	9,605,638	448,298	-	(255,830)	-	1,495,348	765,337	-	-	32,548,444
11. Сделки с акционерами (собственниками) по части акций (долей) в том числе:													
11.1. Вложения в уставный капитал и прочий рост уставного капитала													
12. Другой совокупный доход													
13. Дивиденды										(1,807)			(1,807)
14.1. Прирост/снижение классифицированных производных инструментов как инструменты собственного капитала													
15. Внутреннее движение, в том числе													
15.1. Отчисления в главный резерв					60,578		2,658		(23,018)	472,617			512,835
15.2. Пополнение накопленных потерь за счет Главного резерва					60,578					(60,578)			-
15.3. Покрытие эмиссионных потерь													-
15.4. Прирост/снижение стоимости основных средств и нематериальных активов в результате переоценки													-
15.5. Внутреннее движение прочих элементов собственного капитала													(23,018)
16. Остаток на конец прошедшего периода на 30 июня 2019 года	20,489,653	-	20,489,653	9,605,638	508,876	-	(258,172)	-	1,472,330	1,236,147	-	-	33,059,472

Председатель Правления банка -

Исполнительный директор

Месроп Акопян

Дата утверждения отчета 12/07/2019г

Главный бухгалтер  
Гоар Григорян





Консолидированный отчет о финансовых результатах  
О прибылях и убытках банка  
30.09.2019г.

"ЮНИБАНК" ОАО РА г. Ереван, 0010, ул. Чаренца 12-53,  
(название и местонахождение банка)

Наименование	Примечания	Отчетный период текущего года 01.07.19_30.09.19	С начала года по отчетный период текущего года 01.01.19_30.09.19	Соответствующий период прошлого года 01.07.18_30.09.18 (аудированный)	Отчетный период прошлого года 01.01.18_30.09.18 (аудированный)
Процентные и подобные доходы	3	4,592,227	14,130,800	4,722,558	15,632,542
Процентные и подобные расходы	3	(2,342,034)	(6,944,886)	(2,221,740)	(7,109,498)
<b>Чистые процентные доходы</b>		<b>2,250,193</b>	<b>7,185,914</b>	<b>2,500,818</b>	<b>8,523,044</b>
Комиссионные и прочие подобные доходы	4	853,371	2,200,447	953,702	1,544,922
Комиссионные и прочие подобные расходы	4	(156,900)	(430,168)	(106,913)	(292,001)
<b>Чистые комиссионные и прочие платежи</b>		<b>696,471</b>	<b>1,770,279</b>	<b>846,789</b>	<b>1,252,921</b>
Полученные дивиденды от инвестиций					
Чистая прибыль от коммерческих операций	5	740,263	1,435,272	(3,605)	324,457
Прочий операционный доход	6	220,568	628,560	228,598	781,324
<b>Операционный доход</b>		<b>3,907,495</b>	<b>11,020,025</b>	<b>3,572,600</b>	<b>10,881,746</b>
Чистые отчисления в фонд возможных потерь активов	7	(829,885)	(3,166,372)	(1,509,883)	(4,486,124)
Общие административные расходы	8	(1,142,457)	(3,268,189)	(896,549)	(2,808,431)
Прочие операционные расходы	9	(1,366,888)	(3,421,839)	(862,435)	(2,502,022)
Чистая прибыль/(убыток) от инвестиций в контролируемые объединения	10				
<b>Прибыль/(убыток) до налогообложения</b>		<b>568,265</b>	<b>1,163,625</b>	<b>303,733</b>	<b>1,085,169</b>
Расходы по налогу на прибыль	11	(127,730)	(189,895)	(163,872)	(318,365)
<b>Прибыль/(убыток) после налогообложения</b>		<b>440,535</b>	<b>973,730</b>	<b>139,861</b>	<b>766,804</b>

Дата утверждения отчета

12/07/2019г



М.П.

Председатель  
Правления банка -  
Исполнительный  
директор  
**Месроп Акопян**

Главный бухгалтер  
**Гоар Григорян**

Консолидированный отчет о прочих совокупных результатах  
30.09.2019г.

"ЮНИБАНК" ОАО РА г. Ереван, 0010, ул. Чаренца 12-53,

(название и местонахождение банка)

(тыс. драм)

Наименование	Отчетный период текущего года 01.01.19_30.09.19	Отчетный период прошлого года 01.01.18_30.09.18
<b>Прочий совокупный финансовый результат</b>		
Курсовая разница от пересчета иностранных операций		
Переоценка, доступных для продажи финансовых активов	(49,953)	(252,025)
Хеджирование денежных потоков		
Доходы от переоценки на текущих активов	(28,773)	
Налог на прибыль от прочих совокупных доходов	15,745	50,405
<b>Прочий совокупный финансовый результат после налогообложения</b>	<b>(62,980)</b>	<b>(201,620)</b>
<b>Совокупный финансовый результат</b>	<b>910,750</b>	<b>565,184</b>

Дата утверждения отчета 12/07/2019г



Председатель  
Правления банка -  
Исполнительный  
директор  
**Месроп Акопян**

Главный бухгалтер  
**Гоар Григорян**



**Отчет**  
**О финансовом состоянии банка**

30.09.2019г.

**"ЮНИБАНК" ОАО РА г. Ереван, 0010, ул. Чаренца 12-Б**

(название и местонахождение банка)

Наименование	Примечания	Отчетный период текущего года за 31.09.2019	Отчетный период прошлого года за 31.12.2018 (аудированный)
<b>Активы</b>			
Денежные средства и остатки в ЦБ РА	13	57,882,664	32,049,007
Требования к банкам и к прочим финансовым организациям	14	13,443,367	12,983,447
Производные финансовые активы	14.1		785
Кредиты и прочие займы предоставленные клиентам	16	134,792,109	134,279,082
Финансовые активы, предназначенные для продажи	17	3,423,972	3,817,080
Инвестиции, хранящиеся до погашения	18	13,666,234	12,822,788
Право использования арендуемых активов	21.2	1,050,969	
Основные средства и нематериальные активы	20	10,312,895	10,178,397
Отложенный налоговый актив	11		
Предоплаченный налог на прибыль	21.1	206,024	
Прочие активы	21	5,599,550	3,669,102
<b>Итого Активов</b>		<b>240,377,784</b>	<b>209,799,688</b>
<b>Обязательства</b>			
Обязательства к банкам и прочим финансовыми организациями	22	11,526,858	9,039,951
Производные финансовые обязательства	22.1	656	12,813
Обязательства к клиентам	23	176,681,513	151,452,004
Субординированная задолженность	23.1	6,018,748	6,636,888
Обязательства по арендуемым активам	27.1	1,076,253	
Выпущенные банком ценные бумаги	24	8,980,173	8,576,459
Обязательства по текущим налогам	27	234,398	60,495
Отложенные налоговые обязательства	11	495,117	526,585
Резервы	30	83,959	79,061
Прочие обязательства	27	1,822,721	866,988
<b>Итого Обязательства</b>		<b>206,920,396</b>	<b>177,251,244</b>
<b>Капитал</b>			
Уставный капитал	28	20,489,653	20,489,652
Эмиссионный доход		9,605,638	9,605,639
Резервы		1,685,413	1,687,816
Главный резерв		508,875	448,298
Фонд переоценки		1,176,538	1,239,518
Нераспределенная прибыль (убыток)		1,676,684	765,337
Прочие элементы капитала			
Капитал, принадлежащий материнской организации			
Доля меньшинства			
<b>Итого капитал</b>		<b>33,457,388</b>	<b>32,548,444</b>
<b>Итого капитал и обязательства</b>		<b>240,377,784</b>	<b>209,799,688</b>

Председатель Правления банка - Исполнительный директор  
**Месроп Акопян**

Главный бухгалтер  
Дата утверждения отчета

**Гоар Григорян**  
12/07/2019г.





Консолидированный отчет об изменении собственного капитала

"30" сентябрь 2019

ОАО "Юнибанк" (г. Ереван, Чаренца 12-53)

(название и местонахождение банка)

(тыс. драм РА)

Наименование элементов собственного капитала	Уставный капитал			Эмиссионная прибыль/убыток	Главный резерв	Курсовая разница от пересчета по иностранным операциям	Переоценка финансовых активов доступных для продажи	Хеджирование денежных средств	Доходы от переоценки основных средств	Налог на прибыль по прочим всеобъемлющим доходам	Нераспределенная прибыль/убыток	Всего	Неконтролируемая доля	Всего
	1	2	3											
Статьи	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Аналогичный период предыдущего финансового года (с начала года по нарастающей) (I ТАБЛИЦА)														
1. Остаток на начало предыдущего периода 01 января 2018 года	20,489,653	-	20,489,653	9,605,638	426,482	-	24,275	-	1,469,083	3,572,712	-	-	-	35,587,843
1.1. Общий результат изменений в политике бухгалтерского учета Банка исправление существенных ошибок										(3,444,346)				(3,444,346)
2. Скорректированный остаток	20,489,653	-	20,489,653	9,605,638	426,482	-	24,275	-	1,469,083	128,366	-	-	-	32,143,497
3. Сделки с акционерами (собственниками) по части акций (долей) в том числе:														
3.1. Вложения в уставный капитал и прочий рост уставного капитала														-
4. Совокупный доход														-
5. Дивиденды														-
6.1. Прирост/снижение классифицированных производных инструментов как инструменты собственного капитала														-
7. Внутренние движения, в том числе:							(131,395)		32,830	626,475				527,910
7.1. Отчисления в главный резерв														-
7.2. Пополнение накопленных потерь за счет Главного резерва														-
7.3. Покрытие эмиссионных потерь														-
7.4. Прирост/снижение стоимости основных средств и нематериальных активов в результате переоценки									32,830					32,830
7.5. Внутреннее движение прочих элементов собственного капитала							(131,395)			626,475				495,080
8. Остаток на конец прошедшего периода на 30 сентября 2018г	20,489,653	-	20,489,653	9,605,638	426,482	-	(107,120)	-	1,501,913	754,841	-	-	-	32,671,407



Аналогичный период текущего финансового года (с начала года по нарастающей) (II ТАБЛИЦА)													
9. Остаток на начало предыдущего периода 01 января 2019 года	20,489,653	-	20,489,653	9,605,638	448,298	-	(255,830)	-	1,495,348	765,337	-	-	32,548,444
9.1. Общий результат изменений в политике бухгалтерского учета банка исправление существенных ошибок													
10. Скорректированный остаток	20,489,653	-	20,489,653	9,605,638	448,298	-	(255,830)	-	1,495,348	765,337	-	-	32,548,444
11. Сделки с акционерами (собственниками) по части акций (долей) в том числе:													-
11.1. Вложения в уставный капитал и прочий рост уставного капитала													-
12. Другой совокупный доход													-
13. Дивиденды										(1,807)			(1,807)
14.1. Прирост/снижение классифицированных производных инструментов как инструменты собственного капитала													-
15. Внутреннее движение, в том числе					60,578		(39,962)		(23,018)	913,154			910,752
15.1. Отчисления в главный резерв					60,578					(60,578)			-
15.2. Пополнение накопленных потерь за счет Главного резерва													-
15.3. Покрытие эмиссионных потерь													-
15.4. Прирост/снижение стоимости основных средств и нематериальных активов в результате переоценки									(23,018)				(23,018)
15.5. Внутреннее движение прочих элементов собственного капитала							(39,962)			973,732			933,770
16. Остаток на конец прошедшего периода на 30 сентября 2019 года	20,489,653	-	20,489,653	9,605,638	508,876	-	(295,792)	-	1,472,330	1,676,684	-	-	33,457,389

Председатель Правления банка -

Исполнительный директор

Месроп Акопян

Дата утверждения отчета 12/07/2019г

Главный бухгалтер  
Гоар Григорян



# Консолидированный отчет о движении денежных средств

О прибылях и убытках банка

30.09.2019г.

"ЮНИБАНК" ОАО РА г. Ереван, 0010, ул. Чаренца 12-53,

(название и местонахождение банка)

Наименование	Примечания	Отчетный период прошлого года за 30.09.2018	Отчетный период текущего года за 30.09.2019
<b>1. Денежные средства от операционной деятельности</b>		x	x
<b>Денежные средства, полученные от операционной прибыли до изменений в операционных активах и обязательствах</b>		7,799,148	6,744,288
Проценты полученные		13,982,398	14,081,649
Проценты уплаченные		(6,952,208)	(7,067,853)
Комиссии полученные		1,544,922	1,481,047
Комиссии уплаченные		(292,001)	(430,168)
Доход/убыток от финансовых активов для коммерческих целей		1,086,819	1,014,549
Доходы, полученные по валютно-обменным операциям		751,173	1,467,523
Возмещение ранее списанных кредитов		2,003,120	1,770,998
Выплаты денежных средств сотрудникам		(2,782,160)	(3,226,184)
Прочие доходы и расходы от операционной деятельности		(1,542,915)	(2,347,273)
<b>Движение денежных средств от изменения в операционных активах и обязательствах</b>		370,363	16,428,226
Чистый (прирост)/снижение по оперативным активам		(1,987,422)	(8,422,465)
с		(6,256,063)	(8,785,829)
Чистый прирост/(снижение) по торговым обязательствам		5,615,977	393,108
Прирост/(снижение) ожидаемых сумм от финансового лизинга			202,751
Чистый (прирост)/снижение по прочим оперативным активам		(1,347,336)	(232,495)
Чистый (прирост)/снижение по оперативным обязательствам		2,357,785	24,850,691
в том числе			
(прирост)/снижение по средствам клиентов		3,871,841	27,486,294
Чистый (прирост)/снижение по прочим оперативным обязательствам		(1,514,056)	(2,635,603)
<b>Чистые денежные средства, полученные от операционной деятельности, до налогообложения</b>		8,169,511	23,172,514
Уплаченный налог на прибыль		(104,491)	(266,992)
<b>Чистые денежные средства, полученные от операционной деятельности</b>		8,065,020	22,905,522
<b>2. Денежные средства от инвестиционной деятельности</b>		x	x
Чистый (прирост)/снижение в УК прочих организаций			(1,013,864)
Чистый (прирост)/снижение в инвестициях до погашения			
Чистый (прирост)/снижение в размещенных депозитах других банков			(113,277)
Чистый (прирост)/снижение по кап. вложениям в основные средства и нематериальные активы		(177,962)	(412,712)
Покупка основных средств и нематериальных активов		(243,884)	(278,851)
Продажа основных средств и нематериальных активов		384,130	518,179
Чистый (прирост)/снижение от прочей инвестиционной деятельности		(235,594)	(309,944)
<b>Чистое движение денежных средств от инвестиционной деятельности</b>		(273,310)	(1,610,469)
<b>3. Денежные средства от финансовой деятельности</b>		x	x
Дивиденды уплаченные			(224,070)
Чистый (прирост)/снижение полученных от ЦБ РА займов		(1,166,011)	(58,611)
Чистый прирост/(снижение) денежных средств прочих банков		(2,372,799)	3,500,001
Чистый прирост/(снижение) по прочим займам		(1,200,474)	1,811,498
Чистый прирост/(снижение) по ценным бумагам, выпущенным банком		166,724	403,714
Увеличение уставного капитала			
Чистый прирост/(снижение) средств, полученных по операциям фин. лизинга			
Чистые денежные средства от прочей финансовой деятельности			
<b>Чистые денежные потоки от финансовой деятельности</b>		(4,572,560)	5,432,532
Влияние изменений обменного курса на денежные средства и их эквиваленты		(493,587)	(893,928)
<b>Чистый прирост денежных средств и их эквивалентов</b>		2,725,563	25,833,657
Денежные средства и их эквиваленты на начало года	13 2	31,843,954	32,049,007
Денежные средства и их эквиваленты на конец года	13 2	34,569,517	57,882,664

Председатель Правления банка - Исполнительный директор

Месроп Акопян

Главный бухгалтер

Гоар Григорян

Дата утверждения отчета

14/01/2019г



## FINAL ISSUANCE TERMS

November 12, 2019

### **Unibank OJSC**

(Issuer's name)

Registered, coupon, dematerialized, non-convertible bond  
(type of security)

Information about the Issuer and the issued securities can be obtained by reviewing the Program Prospectus (registered on October 09, 2019, based on the CBA Chairman Resolution #1/741A) and the Final Issuance Terms. The Program Prospectus is available at Unibank Open Joint Stock Company: Charents Street, Building 12, No 53, 1-5, Yerevan, Republic of Armenia.

#### **1. General Information**

(The data not applicable are marked "Inapplicable"). Where securities with different basic terms (currency of issue, price of offer, par value, etc.) are issued under the same series, the different terms are stated separately for each group of securities meeting a specific term)

1.1	Issuer (Issuer's name)	UNIBANK OJSC
1.2	Underwriter	The issuer does not plan to attract underwriter
1.3	Series (number and date of consequential issue based on the program prospectus)	Series 1, 2019
1.4	Total value of particular series of issue	1,000,000 (one million) USD
1.5	Details of securities classification from the perspective of sequence of redemption (subordination), including total value per issue of particular series by subordination	Claims of same priority creditors/holders of bonds offered by the Issuer are settled after full satisfaction of claims of senior priority. Under Article 31.2 (c) of the RA Law on Insolvency of Banks, Credit Organizations, Investment Companies, Investment Fund Managers and Insurance Companies, the claims of the Bank's bondholder shall be satisfied in the third place.
1.6	Currency of issue	USD

1.7	Price of offer	<p>The full price of the bonds for each 100 unit nominal value starting from the first day of placement is calculated as follows:</p> $DP = \frac{C}{f} \sum_{i=1}^N \left( \frac{1}{\left(1 + \frac{Y}{100 \cdot f}\right)^{i-1+t}} \right) + \left( \frac{100}{\left(1 + \frac{Y}{100 \cdot f}\right)^{N-1+t}} \right)$ <p>t=DSN DCC</p> <p>DP – bond price DSN - actual number of days from the settlement day to the following coupon day, based on the relevant day count convention, DCC – actual number of days in a respective coupon period calculated from the previous coupon day to the following coupon day, based on the relevant day count convention, f – coupon frequency (f=4 for quarterly coupon payments), N – number of remaining coupon payments after the settlement date, Y – yield to maturity, C – annual coupon on nominal value of 100. Not later than 2 days before the placement date the Bank shall publish the placement value on its website, calculated using the above-mentioned formula – for the whole placement period, by days.</p>
1.8	Par value	100 (one hundred) USD
1.9	Quantity	10,000 (ten thousand)
1.10	Starting date of offer (including any change)	15.11.2019
1.11	End date of offer (including any change)	15.12.2019 If the bonds are wholly placed before that date, the date on which the last bond was sold will be the end of offer date.
1.12	International Securities Identification Number (ISIN) or other identification code	AMUNIBB2AER2
1.13	Bond issuance and placement decision-	UNIBANK OJSC Board Resolution

	making authority and date of decision (to be stated only if a separate decision is made for the particular IPO, otherwise is marked “Inapplicable”)	from 07.11.2019
<b>2. Coupon details</b>		
2.1	First day of coupon calculation	15.11.2019
2.2	Coupon interest rate and payment frequency; upon floating interest rate, state on what indicator (change of indicator) the interest rate depends on, and where the indicator/change can be obtained	5.25 (five point twenty five) percent nominal interest rate, 3 (three) months payment frequency
2.3	Dates of coupon payment (day, month, year)	15.02.2020, 15.05.2020, 15.08.2020, 15.11.2020, 15.02.2021, 15.05.2021, 15.08.2021, 15.11.2021, 15.02.2022, 15.05.2022, 15.08.2022, 15.11.2022 Coupon payments are made on the day of coupon calculation, except when the coupon calculation date is a non-working day. In such cases the coupon is paid on the first working day following the day of the coupon calculation.
2.4	Calculation of coupon days (e.g. 30/360, Act/Act, Act/360, etc.)	30/360
2.5	Calculation of floating coupon	Inapplicable
2.6	Other essential terms for coupon calculation	Inapplicable
2.7	Provision on securities with 0% coupon (discount coupon) (“Applicable” or “Inapplicable”)	Inapplicable
<b>3. Details of principal</b>		
3.1	Redemption (partial redemption) date	15.11.2022
3.2	Redemption (partial redemption) value; unless possible, calculation method is stated	Nominal value
3.3	Change in redemption value (cases where redemption value can be changed)	Inapplicable
3.4	Early redemption on Issuer’s initiative/ Call Option (“Applicable” or “Inapplicable”)	Inapplicable

3.4.1	Date(s)	
3.4.2	Option price, method of calculation (if any)	
3.4.3	Upon partial redemption, min and max redemption values	
3.4.4	Other details	
3.5	Early redemption on investor's initiative/ Put Option ( "Applicable" or "Inapplicable")	Inapplicable
3.5.1	Date(s)	
3.5.2	Option price, method of calculation (if any)	
3.5.3	Other information (notification period)	
<b>4. Placement details</b>		
4.1	Issuer's name, location	UNIBANK OJSC, Charents Street, Building 12, No 53, 1-5, Yerevan Republic of Armenia
4.2	Other terms of placement (not included in the prospectus)	
<b>5. Other information</b>		There are financial restrictions on purchasing bonds. The minimum purchase amount is 1,000 USD.
5.1	Admission to trading on regulated market for particular class of securities (respective regulated markets, date of admission)	Securities are not yet allowed onto the regulated market for trade
5.2	If admission to trading of offered securities on regulated market is to be requested in future, information about the market (name, also a provision that the admission to trading may be declined, expected date of admission (if possible))	Upon completion of the bond placement, the Bank will apply for listing of bonds at "Armenia Securities Exchange" in the shortest possible time. Bonds listing may also be declined. The Bank will also apply for a double listing of bonds at RF stock exchange acting in the Russian Federation. Bonds listing there may also be declined.
5.3	Securities rating	The bonds are not rated
5.4	Methods (frequency, bank accounts, etc.) and dates of payment against securities, and methods and dates of receiving securities, method of receiving excerpt of securities	Legal entities and physical persons who want to purchase bonds issued by the Issuer should realize payment to the relevant transit account of Unibank. To purchase bonds investors shall fill in

	ownership	<p>and duly deliver to the Bank the relevant application for bonds purchase assuring of their willingness to accept the bonds issue terms and these provisions become mandatory for the investors. After filling in an application for bonds purchase but not later than 16:00 of the same working day the person who wants to buy a bond must make the payment to the transit account preliminarily opened in “Unibank” OJSC for the relevant quantity of bonds indicated in the application form. The issuer shall transfer the bonds to the investors’ accounts within two working day after the relevant funds are accepted (T+2 principle).</p> <p>Applications for bonds purchase, received after the envisaged placement date, shall not be admitted.</p> <p>Application for bonds purchase is considered to be duly submitted if it is delivered by one of the following means of communications (or delivered on hands by visiting the Bank principal office) and receipt confirmation is received from the addressee).</p> <p>Address: N 1-5, N 53, Charents str. 12, Kentron community, Yerevan, RA Treasury, “Unibank” OJSC Or by e-mail: <a href="mailto:broker@unibank.am">broker@unibank.am</a></p> <p>The ownership of bonds can be transferred in compliance with the RA laws and the internal rules of the custodian. The bondholders can obtain the except on the securities ownership from their Account Operator.</p>
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The Issuer is responsible for the information included in the Final Issuance Terms. The Issuer(the Underwriter) assures that the information included herein corresponds to the information (general methodology) included in the Program Prospectus and amendments thereto, and the information is accurate (to the best of their knowledge), and no fact has been omitted or misrepresented.

## Signatories

<b>Gagik Zakaryan</b>	<b>Board Chairman</b>	(signature)	(date)
<b>George Piskov</b>	<b>Board member</b>	(signature)	(date)
<b>Hrahat Arzumanyan</b>	<b>Board member</b>	(signature)	(date)
<b>Eduard Zamanyan</b>	<b>Board member</b>	(signature)	(date)
<b>David Papazian</b>	<b>Board member</b>	(signature)	(date)
<b>Vardan Atayan</b>	<b>Board member</b>	(signature)	(date)
<b>Artem Konstandyan</b>	<b>Board member</b>	(signature)	(date)
<b>Mesrop Hakobyan</b>	<b>Executive Board Chairman - CEO</b>	(signature)	(date)
<b>Ararat Ghukasyan</b>	<b>First Vice-Chairman of the Executive Board</b>	(signature)	(date)
<b>Tigran Badanyan</b>	<b>Risk Management Director</b>	(signature)	(date)
<b>Gohar Grigoryan</b>	<b>Financial Director - Chief Accountant</b>	(signature)	(date)
<b>Gurgen Ghukasyan</b>	<b>Retail Business Promotion and Sales Director</b>	(signature)	(date)
<b>Ovsanna Arakelyan</b>	<b>Vice-Chairman of the Executive Board, Legal Service and Overdue Liabilities Collection Director</b>	(signature)	(date)
<b>David Petrosyan</b>	<b>Corporate Business Promotion and Sales Director</b>	(signature)	(date)
<b>Artur Aperyanyan</b>	<b>Operational services and information systems Director</b>	(signature)	(date)



## **Информация, раскрытая в форме годовых отчетов**

С информацией в форме годовых отчетов эмитента ценных бумаг, раскрытой в соответствии с его личным законом и личным законом иностранной биржи, на которой ценные бумаги прошли процедуру листинга, можно ознакомиться по следующим ссылкам:

- Годовой отчет за 2019 год

<https://corp.unibank.am/en/presentations/>

Также с текстом годового отчета за 2019 год можно ознакомиться на странице эмитента, предоставленной распространителем информации на рынке ценных бумаг:

<http://www.e-disclosure.ru/portal/files.aspx?id=38120&type=2>